

FINANCIAL TIMES

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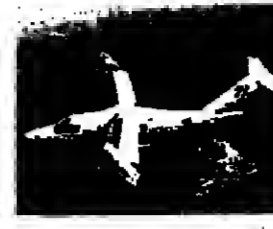
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World Business Newspaper <http://www.ft.com>

MONDAY JUNE 30 1997

● The eighth part of our 12-part series, FT Mastering Finance, appears today. Topics include asset allocation, the world of futures and forwards, and the rationale for convertible bonds.



Albanians fearful of violence as polls close early

Albanians deserted the streets of the capital Tirana as fears grew of a bloody end to elections marred by reports of fraud and intimidation. President Sali Berisha's rightwing Democratic party and the opposition Socialists accused each other of sabotaging the poll. Polling stations closed three hours early because of fears of violence. Page 18; Picture, Page 2

Battle over internet calls: US makers of telecommunications equipment are furious about attempts by at least four European countries to ban internet telephony. The technology, enabling global voice calls of a quality similar to the usual costs, threatens the profitability of telephone operators. Page 18; Mobile phone base, Page 8; Media, Page 12

Mouffex, the French household appliances company, boosted Europe's fledgling junk bond market with the launch of the first high-yield bond denominated in French francs. The FR300m (\$51.5m) bond is Europe's sixth junk bond issue. Previous issues were denominated in D-Marks and sterling. Page 19; Markets, 24

Anglo-French move on Eurotunnel: The British and French governments are demanding a share of Eurotunnel's future profits in exchange for extending the company's right to continue operating the Channel tunnel rail link beyond 2002. Eurotunnel chairman Patrick Ponsolle indicated that the two countries were close to agreement in principle. Page 19; Lex, Page 18

EU seeks price pact on chips: Japanese, South Korean and European Union makers of semiconductors are poised to begin talks on a "gentlemen's agreement" on minimum prices that could lead to the lifting of EU anti-dumping measures on computer memory chips. Page 4

Magneti Marelli, the Italian vehicle components manufacturer controlled by the Fiat group, is to buy control of Copar, Brazil's largest maker, in a deal that marks another big step in the restructuring of Brazil's vehicle components industry. Page 19

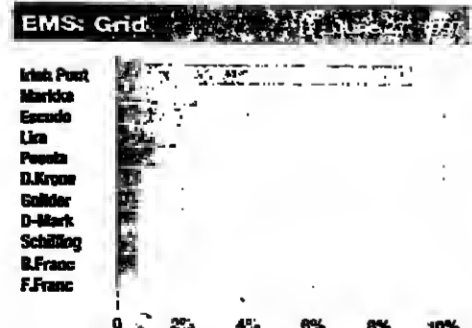
Reuters, the media group, is falling behind rival EBS in the race to dominate electronic broking in the \$530bn-a-day foreign exchange spot market, according to documents showing a daily average 21,000 currency deals on Reuters' system in the first quarter compared with 34,000 on EBS, owned by a consortium of foreign exchange banks. Page 19

Power play in Russia: Led by Boris Nemtsov, Russia's crusading first deputy prime minister, a team of company bosses and politicians inaugurated a federal wholesale market in electricity which the government hopes will help kick-start the Russian economy by lowering energy prices. Page 2

Fatal crush at German rock concert: A 16-year-old Dutch girl was killed and 300 people hurt when a crowd of 60,000 pushed forward during a concert at Düsseldorf's football stadium by the German band Toten Hosen. Police said at least 30 injured were still in hospital.

Jordan lifts currency curbs: The central bank of Jordan is lifting all restrictions on the movement of foreign currency to pave the way for liberalisation of its financial markets. Until now, Jordanians have been allowed to transfer a maximum of \$50,000 a year abroad and had to pay a four per cent tax on gold transfers.

European Monetary System: The Irish punt, buoyed by the strength of sterling, firmed to 8.05 per cent above its European Monetary System central rate against the French franc, the ERM's weakest currency. The Finnish markka took over second place in the grid from the Portuguese escudo. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Early HK elections promised

Tung gives assurance of polls within 12 months

By Peter Montagnon, John Ridding and Richard Lambert in Hong Kong

Mr Tung Chee-hwa, Hong Kong's post-colonial governor, yesterday assured visiting leaders that China would hold elections in the territory within 12 months, probably next May.

In a series of meetings with foreign ministers, Mr Tung said China would live up to its promise to install an elected legislature in the territory after it regains sovereignty tonight.

But Mr Robin Cook, UK foreign secretary, added that the poll must be free and fair. This would be the most important benchmark of China's commitment to its bandover treaty with Britain, he said.

"If there are no free and fair elections in the next 12 months, the international community will regard that as a breach of faith and the international community will react," he said.

Mrs Madeleine Albright, US secretary of state, said the US would monitor the promised elections closely. "America cares about Hong Kong and will continue to care long after this week's fireworks are finished," she said.

Speaking as Hong Kong launched celebrations to mark its return to China, Mr Cook said Britain had much to be proud of. "At this point there is much more confidence than

any of us could have hoped for five years ago." The territory must be the only colony Britain ever left with a higher average income than it enjoyed itself, he said.

With share prices at record highs, the mood in Hong Kong was relaxed before the handover. In spite of strong criticism from Mr Chris Patten, the outgoing governor, there has been muted public reaction to China's plans to move armoured personnel carriers into the territory in the small hours of tomorrow morning.

China's President Jiang Zemin yesterday sought to allay Hong Kong fears about heavy-handed mainland intervention. Speaking in the Great Hall in Beijing before leaving for the bandover, Mr Jiang

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said: "We will... safeguard the Hong Kong residents' rights and freedoms in accordance with the law."

Mr Jiang will today meet Tony Blair, UK prime minister, for discussions described by Britain as substantive. Mr Cook said Britain would emphasise the need for fair elections, and hinted that the ground could be prepared for Mr Blair to visit China within the next few months.



Hong Kong governor Chris Patten wipes his eye during a ceremony on the eve of the British colony's handover to China

Britain sought yesterday to play down the news that Mr Tung would not attend its farewell ceremony because it clashed with the arrival of the Chinese delegation. "We quite understand if he can't attend because he has pressing business with China's leaders," Mr Cook said.

There may still be a confrontation over plans by pro-democracy parties to stage a protest after the handover.

The outgoing Legislative Council, elected under Britain's democracy reforms, held a tearful final session. Afterwards Mr Martin Lee, leader of the Democratic party, Hong Kong's most popular political group, vowed to deliver a speech from the building's balcony. Mr Lee said he would make the speech, even if he had to use a ladder to get up there. The Beijing-appointed body, which will

replace the existing chamber, said it would allow democrats into the building but was opposed to the use of the balcony.

In an interview with the BBC yesterday, Mr Tung insisted that demonstrations would normally be tolerated in Hong Kong after the handover, but there would be problems if there were calls for independence for either Tibet or Taiwan.

Ex-chief of Japan bank commits suicide

By Gillian Tett in Tokyo

Mr Kuniji Miyazaki, the former chairman of Dai-ichi Kangyo Bank, Japan's second largest bank, committed suicide yesterday after becoming embroiled in a scandal over payments to racketeers. He was president of the bank from 1988 to 1992 and chairman from 1993 to April 1996.

Mr Miyazaki was one of several executives named in a recent spate of corporate scandals in Japan, ensuring DKB and other leading companies.

The suicide of such a senior banking figure is likely to fuel the sense of shock and shame which these events have triggered in Japan's financial world.

It may stir a backlash against the Japanese government's high-profile campaign



Miyazaki: questioned by police

against corruption - particularly because more than a dozen other Japanese executives have been arrested for similar scandals.

Mr Miyazaki was questioned by police on Friday about ¥11.78bn (\$103m) loans that

DKB had extended to *sokaiya*, the corporate racketeers that demand money from companies in exchange for not revealing sensitive information.

Mr Miyazaki, 67, had admitted having contacts with *sokaiya* and resigned in June as an adviser to the company. He hanged himself yesterday.

Ten other former and current DKB executives have been arrested over the scandal, with four indicted. Indictments usually lead to convictions in Japan.

Several senior executives at Nomura, Japan's largest securities company, have been indicted, in a similar scandal, for illicit payments to the same *sokaiya* group. These include the former president Mr Hideo Sakamaki.

There has also been controversy in the past year at Takashimaya, the retailer, and Ajinomoto, the food processing company.

Nomura and DKB told shareholders' meetings last Friday that they had cut all ties with *sokaiya* and removed the directors responsible.

Although in the past corporate scandals have traditionally been resolved by management resignations and apologies, the Japanese government has responded to the latest events with an unusual degree of aggression.

With Japan's programme of "Big Bang" financial deregulation looming, the government appears to be making an example of Nomura and DKB to send a warning to corporate Japan.

The government is expected to impose a large penalty on Nomura in the coming weeks. A penalty may also be imposed on DKB when the current investigation into the company is completed. It is widely believed in Japan that many companies have had dealings with *sokaiya*.

Gazprom defeats attempt to elect outsider to board

By Robert Corzine and John Thornhill in Moscow

The management of Gazprom, Russia's giant gas monopoly, strengthened its grip on the company by defeating minority investors' attempts to elect an outside director to the board on Saturday.

At the tense shareholders' meeting, Mr Rem Vyakhirev, who was re-elected chairman of the management board, warned that the failure of Gazprom's customers to pay their bills was threatening the company's prospects. Capital expenditure was one third less than planned at Rb40,000bn (\$7bn) because of the payments problems, he said.

At a closed annual general meeting on Saturday, shareholders voted down Mr Andrei Vavilov, president of the powerful MFK financial group, as a prospective board member after a fierce battle for votes.

Gazprom has been under pressure from outside investors to disclose more about

company finances and lift restrictions on the sale of its stock.

Mr Vyakhirev announced the creation of a separate company, Gazprom Invest Holding, to help address Gazprom's financial concerns. It would act as a central treasury, co-ordinating attempts to raise additional capital in Russia and abroad.

Mr Vyakhirev said Gazprom had raised more capital abroad than all other Russian companies combined but would not rush fund-raising initiatives, including share sales and a eurobond issue.

"The 7 per cent of the shares which we can sell abroad will only end up on the market over the course of several years when a favourable market has been formed," he said. The election of Mr Vavilov would have significantly tilted the balance of the 11-person board and called into question Mr Vyakhirev's position as chairman. The company also rejected a last-minute attempt

to have Mr Boris Berezovsky, the controversial businessman, nominated as a director.

Four government representatives, including Mr Alexei Kudrin, the reformist deputy finance minister, were elected to the board and are expected to strengthen the state's influence over the company. But the failure of the minority shareholders to elect a representative is seen as a defeat for the reformers who had lent their tacit support.

The government has been forcing Gazprom to open up to scrutiny and allow competition to develop in Russia's gas industry. The state retains a 40 per cent shareholding.

A provision limiting foreign ownership to 9 per cent of Gazprom's equity has been removed from the company's charter, but the Federal Securities Commission, the industry regulator, will enforce the limit which is enshrined in a presidential decree.

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COMPAQ

Bulgaria agrees tough budget

By Karin Hope and
Theodor Troev in Sofia

Bulgaria's parliament has approved a tough budget ahead of the launch tomorrow of a currency board monetary system aimed at restoring stability and encouraging foreign investment.

The budget deficit is projected at 6.2 per cent of gross domestic product under a deal agreed with the International Monetary Fund, which will back the currency board.

The deficit would be covered by revenues from an accelerated privatisation programme projected at around 3.5 per cent of GDP, by loans from international agencies and sales of treasury bills to retail investors. Budget revenues are forecast at Lv4,416bn (\$2.6bn), equivalent to 27.3 per cent of GDP, and spending at Lv5,411bn. The primary budget surplus is estimated at 3.5 per cent of GDP.

Under the currency board the lev will be pegged to the D-mark at a fixed rate of Lv1,000 and the money supply will be tied to the level of foreign currency reserves. The tight monetary system is intended to prevent the government from subsidising the budget or rescuing loss-making state enterprises.

Bulgaria's pro-market government elected in April is committed to reversing the country's poor record on economic reform, which has delayed the transition to a market economy and deterred foreign investors.

Mr Maravel Radev, finance minister, said structural reform was being speeded, with three state banks and 30 large industrial companies due for disposal this year. He said the government planned to sack 60,000 public sector employees in the next three months to cut state payroll expenses by 10 per cent this year.

To boost revenues the finance ministry plans to freeze up to 30 per cent of operating income earned by state enterprises with sizeable tax arrears.

Bavarian call for commitment on deficit

German row over Emu intensifies

By Graham Bowley
in Frankfurt

The increasingly bitter row within Germany's governing coalition over European economic and monetary union escalated at the weekend when a senior politician stepped up calls for the single currency to be delayed if the entry requirements are not met.

Mr Edmund Stoiber, the premier of Bavaria, challenged Mr Helmut Kohl, chancellor, to give an absolute commitment that Germany would adhere strictly to the 3 per cent target for public sector deficits of countries wishing to join the single currency.

"If the requirements are not fulfilled then, of course, we will have to agree on a thorough, controlled postponement," Mr Stoiber said.

In an interview with the Welt am Sonntag newspaper, the comments are the latest in a vociferous campaign which has brought Mr Stoiber into direct conflict with members of the Bonn government, and which some have speculated could even threaten the ruling coalition.

Mr Wolfgang Schäuble, leader of Christian Democratic Union and Christian Socialist Union MPs, hit out at Mr Stoiber for fuelling uncertainty among the German people about the single currency.

The row has been triggered by Germany's difficulties in meeting the public deficit criteria for monetary union. These problems have been exacerbated by Germany's current economic difficulties, including record unemployment. The government has been at loggerheads with opposition parties over planned wide-ranging tax reforms aimed at tackling the country's economic problems.

Mr Hans Tietmeyer, Bundesbank president, entered the fray yesterday when he said that a sustainable reduction in the budget deficit was more important than hitting "one-off" targets. He also said proper tax reform was essential to get the economy in better shape.

"More important than the one-off fulfilment, or bare undershooting or overshooting of this number, is the question as to whether countries' public finances are in a condition that can be viewed as sustainable, and lastingly sustainable," Mr Tietmeyer told a German radio station. Duisenberg profile: Emu's steadfast advocate, Page 9

Schneider's fraud trial begins today

By Graham Bowley

Mr Jürgen Schneider, the disgraced former property tycoon, will step into a Frankfurt courtroom today as the trial begins into the collapse of his business empire three years ago, in what was one of Germany's biggest ever corporate scandals.

German prosecutors have

charged Mr Schneider with credit fraud and fraudulent bankruptcy. They allege he duped banks and creditors into making bigger loans than his development projects justified by falsifying plans, rental contracts and bills. If convicted on all charges, Mr Schneider could face a prison sentence of up to 15 years.

The trial is expected to

begin with Mr Schneider giving his version of events which led to the demise in April 1994 of his property development business, with luxury hotel, shopping centre and office projects throughout Germany. The company had debts of more than DM5bn (\$3.9bn).

Mr Schneider and his wife fled Germany secretly just before the collapse. They were later discovered in Miami. The couple fought extradition before returning voluntarily to Germany in February 1996.

Germany's financial community, which has already been shaken by the affair, will be watching the trial uneasily. The country's big banks have been criticised for their apparent willingness to finance Mr Schneider's rapid expansion, which in the end left many small construction companies with unpaid bills.

Mr Schneider has claimed that Deutsche Bank - Germany's largest bank and Mr Schneider's single biggest creditor - had full knowledge of his business dealings and had encouraged him to expand. Deutsche Bank denies this.

Armed Albanian rebels patrol in front of a polling station in the town of Vlora yesterday during the country's elections. Polls closed early because of fears of violence.

EUROPEAN NEWS DIGEST

Russia power market launch

A team of company bosses and politicians led by Mr Boris Nemtsov, Russia's crusading first deputy prime minister, yesterday inaugurated a federal wholesale market in electricity.

The government hopes it will help kick-start the Russian economy by lowering energy prices.

"This is a small revolution," said Mr Yevgeny Yasin, minister without portfolio and a long-time advocate of the wholesale market, which will offer 30 per cent discounts to consumers who pay their electricity bills in cash and on time.

Mr Nemtsov hailed the project as a breakthrough which "will lay the foundations for economic growth" and said the creation of an open, transparent system would "help push handouts out of our economy".

However, Mr Yasin and others warned that the new market, which formally begins operation tomorrow and has concluded \$3m worth of contracts, will face strenuous opposition from vested interests in the electricity sector, which profit from the current chaos.

The new wholesale market, which gives industrial users an alternative to monopolistic regional electricity suppliers, may also be opposed by some regional governments, which rely on wealthy enterprises to subsidise the cheap electricity supplied to Russian residential consumers.

Christina Frelund, Moscow

Italy greets discount rate cut

The decision of the Bank of Italy to lower the official discount rate by half a point to 6.25 per cent has been welcomed over the weekend by industrialists and trade union leaders who hope it will stimulate investment and boost employment.

Confindustria, the employers' federation, has called on the banking system to lower commercial lending rates in line with the change in the discount rate.

The lower discount rate is expected to help public sector accounts. Interest charges on public sector debt amounted to L202,000bn (\$119bn) last year, absorbing 10.8 per cent of gross domestic product. Mr Carlo Azeglio Ciampi, treasury minister, said the fall in interest rates would boost government credibility.

Italian inflation has fallen significantly this year and provisional figures announced last week pointed to annual inflation of 1.4 per cent in June. Although Mr Antonio Fazio, the central bank's governor, had been under pressure to ease monetary policy, Friday's decision to lower the discount rate came as a surprise. It was the third reduction this year.

David Lane, Rome

Demirel in government talks

Mr Mesut Yilmaz, Turkey's prime minister-designate, began talks with President Süleyman Demirel yesterday about the formation of a secular government. Under Turkish law, the president must approve a new government before it goes to a confidence vote within 10 days.

Mrs Tansu Çiller, the foreign minister and Mr Yilmaz's main rival, suffered a further setback yesterday as two more deputies from her conservative True Path party resigned in anger at their leader's attempts to defy the influential army and become prime minister again as head of a pro-Islamist coalition.

The MPs were expected to defect to Mr Yilmaz. Resignations from the Islamist-led coalition have already given Mr Yilmaz a slim majority in parliament.

The three parties in Mr Yilmaz's alliance were reported to be close to agreement on a protocol outlining the coalition's policies and the distribution of cabinet seats.

Reuter, Ankara

Jospin under fire over Renault closure

By David Owen in Paris

Mr Lionel Jospin, the French prime minister, yesterday came under attack from his Communist coalition partners over Renault's decision to close a Belgian car assembly plant employing 3,100 people.

In the latest sign of tension between Mr Jospin's Socialists and the hard-left Communist party which supplies two members of cabinet, Mr Paul Lescapart, a senior Communist, called for

a moratorium on the decision by the partly state-owned carmaker.

According to Mr Lescapart, a member of the Communists' national secretariat, Mr Jospin had pledged in the recent election campaign to back moves to keep the plant open. He asked why this pledge had not been respected.

Mr Jean-Luc Dehaene, the Belgian prime minister, also criticised Mr Jospin's handling of the situation, saying he had "given people false hope".

Even Mr Henri Emmanuelli, a leading Socialist, described the closure decision as "very bad news" and said he wanted the matter raised in the Socialist group at the National Assembly.

The pro-Communist CGT trade union added its voice to the complaints, saying it would not give in to the closure.

But Mr Christian Pierret, the Socialist industry minister, said Mr Jospin had kept his promises. "The dossier was closed under the previous government," he said.

"As Lionel Jospin promised, it was reopened... Nobody will be left by the side of the road."

Some Communists had already been showing signs of restiveness at what they see as the unsatisfactory nature of some of the government's early decisions.

Mr Maxime Gremetz, a Communist MP who abstained in a confidence vote this month after Mr Jospin announced a 4 per cent rise in France's minimum wage, yesterday told Le Journal du Dimanche, a Sunday newspaper, that the Communists had called for an 8 per cent increase.

Renault announced it was going ahead with the closure on Saturday after an independent report confirmed the move was an attempt to address a structural problem and said a company-wide programme of reduced working hours would not be a satisfactory alternative.

The group said it would press ahead with union talks on a plan including compensation and the offer of jobs in its French factories.

France gambles on softer Emu membership target

The broad outlines of Jospin's policy are emerging from the confusion of the past month. David Owen reports

After a month of suspense and confusion, the outlines of the Jospin government's policy for handling its public deficit problem are starting to emerge. The policy is likely to incorporate a grand gamble, backed up by a stir and, possibly, the passing of the government bat around France's increasingly profitable companies.

The probable gamble is that a 1997 deficit of 3.3 or 3.4 per cent of gross domestic product - down from more than 4 per cent in 1996 - will be enough to keep European economic and monetary union on track and France a first-round participant in the planned single currency.

For this to be so, Germany would almost certainly have to call time on its efforts to meet the formal 3 per cent of GDP Maastricht deficit target for a similar overshoot, while France would probably have to show it could realistically expect to hit 3 per cent in 1998.

No senior figures in the new Socialist-led administration are talking publicly in hard numbers yet; for that, we will probably have to wait for the so-called "audit" of public finances on July 21. But that is widely expected to show France on course for a 1997 deficit of at least 3.6 per cent.

However some in the government are already prepar-

ing the ground for an overshoot by confiding that it will be "extremely difficult" to reach 3 per cent in 1997 and talking of the need to "act in concert" with Germany. "What is essential is not to do worse than our neighbour," one official said.

The state-controlled Caisse des Dépôts et Consignations, usually a well-informed commentator, last week forecast a 1997 deficit of 3.4 per cent. "In evaluating France's deficit performance for its participation in the euro, it is not so much the 3 per cent Maastricht target that needs to be kept in mind, but rather Germany's projected deficit, which without austerity measures likely to cause conflict will stand at

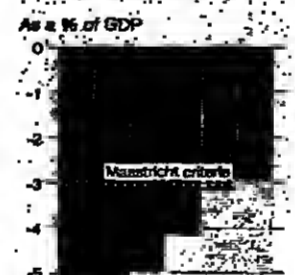
around 3.4 per cent," the Caisse said.

The stir will be against the previous centre-right administration of Mr Alain Juppé, which can expect to carry most of the blame for France's failure to cut its deficit as quickly as stipulated by Maastricht, even though, as the Caisse notes, the overshoot "is caused not by excess expenditures but rather by lower receipts".

This applies to the central budget deficit and the social security deficit, where the Caisse thinks the overshoot is running at just over FF100bn (\$17.7bn), "less than previous alarmist forecasts suggested".

Blaming his predecessor would be a questionable, if

understandable, tactic from Mr Lionel Jospin, a politician with an unrivalled reputation for high standards. It is likely Mr Juppé would



have implemented new austerity measures to get back within range of 3 per cent if he had been given the chance to do so. Indeed, many believe this was one of the main reasons for the snap election.

Mr Jospin won, in part, precisely because he set himself against a further round of belt-tightening - a pledge that his Communist coalition partners can be expected to hold him to.

But Mr Jospin may still be required to trim the 1997 deficit figure in order to arrive at a "respectable" 3.3 or 3.4 per cent. Hence the possible need for a bit of hat-passing.

Some reports suggest this may take the form of a levy on French companies, possi-

bly an increase from 19 per cent to 33 per cent in the tax rate on certain capital gains, although this is unlikely to become clear until September.

Mr Jospin's leaked budgetary framework for 1998 spoke of the need to implement "new priorities without raising the global level of public spending". It said additional revenues stemming from unexpectedly fast growth should be used "as a matter of priority to reduce the budget deficit".

The government is said to be counting on growth of more than 3 per cent in 1998 - up from forecasts of 2.3-2.5 per cent for this year. This is regarded by some economists as highly optimistic.

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Consolidated Balance Sheet

March 31, 1997

	(Millions of yen)
Assets	
Cash and due from banks	2,893,575
Call loans and bills purchased	29,841
Commercial paper and other debt purchased	12,230
Trading account securities	1,658,969
Money held in trust	309,664
Securities	4,629,033
Loans and bills discounted	20,825,213
Foreign exchanges	513,120
Other assets	2,878,302
Furniture and equipment	193,657
Deferred taxes	288,635
Customers' liabilities for acceptances and guarantees	1,501,199
Total assets	35,400,297
Liabilities	
Deposits	20,779,325
Negotiated certificates of deposit	2,412,174
Call money and bills sold	3,278,238
Borrowed money	1,681,443
Foreign exchanges	223,651
Convertible bonds	13,418
Other liabilities	3,964,317
Reserve for possible loan losses	731,135
Reserve for retirement allowances	34,960
Reserve for loss on sales of loans	77,227
Other reserves	17,260
Minority interests	1,355
Acceptances and guarantees	1,501,199
Total liabilities	34,338,941
Stockholders' Equity	
Common stock	361,971
Capital surplus	288,035
Legal reserve	59,575
Other reserves	351,782
Treasury stock	81
Total stockholders' equity	1,061,356
Total liabilities and stockholders' equity	35,400,297

Consolidated Statement of Income

Year Ended March 31, 1997

	(Millions of yen)
Total income	1,782,318
Interest income	1,356,362
Interest on loans and discounts	516,240
Interest and dividends on securities	144,162
Fees and commissions	82,977
Other operating income	153,674
Other income	19,030
Expenses	1,740,948
Interest expenses	1,043,499
Interest on deposits	292,896
Fees and commissions	10,800
Other operating expenses	87,498
General and administrative expenses	298,550
Other expenses	337,501
Income before income taxes and others	41,370
Extraordinary profit	4,424
Extraordinary losses	4,624
Income before income taxes	41,170
Provision for income taxes	7,595
Adjustment for corporate taxes	18,135
Minority interest in net income	150
Equity in net income of unconsolidated subsidiaries and affiliates	1
Net income	16,793

Notes: 1. Net income per share: ¥16.79.
2. All amounts are rounded down to the nearest million yen.
3. Tokyo Bank's fiscal 1996 annual report will be available for perusal at the Bank's London Branch from August 1 (One Exchange Square, London EC2A 2E4).

CONTRACTS & TENDERS



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Pursuant to Clause 4 (F) (ii) of the Instruments dated 3rd March, 1994 and dated 30th March, 1995 relating to the Warrants (the "Instruments"), notice is hereby given that the proposal to set the record date for the payment of interim dividend (being a cash distribution pursuant to Article 293-5 of the Commercial Code of Japan) was approved at the ordinary general meeting of shareholders of the Company held on 27th June, 1997. As the result, "Dividend Accrual Period" defined in Condition 4 of the Warrants shall now mean the six-months periods from 1st April to 30th September and from 1st October to 31st March in each year.

30th June, 1997 Nippon COMSYS Corporation



Les Echos

FINANCIAL TIMES

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Russia power market launch

صباح من العمل

America's guilty smokers a popular target

By Patti Waldmeir in Washington

They can be seen outside any US office building: skulking in doorways, furtive of glance, speaking a body language of guilt, these are America's smokers.

Their vice is the one America most loves to hate: more than drinking, over-eating, or marital infidelity. Over the past 10 days, since the deal to combat smoking between tobacco companies and state attorneys-general, US society has spoken with one voice: smoking must be eradicated.

The ceremony to announce the deal was quintessentially American: the attorneys-general, their voices broken with emotion, promised a bright new nicotine-free future. Invoking the interests of "our children" - the mantra which seems to grace every American political action - they proclaimed victory in the holy war against smoking. The atmosphere was both pious and triumphant. It was not the moment to declare the joys of smoking.

In such an atmosphere of universal condemnation, it is easy to forget that there are 48m Americans who smoke - 5m more than voted for Mr Bill Clinton as president.

Professor Bernard Beck, a sociologist at Northwestern University who has studied both the sociology of smoking and the crusade against it, believes that California led the way in demonising

smoking. "All American culture - increasingly, all world culture - originates in southern California, and they are obsessed by air quality," he says. "Anything that goes into the air in LA hangs around."

Other Americans followed Californians in becoming "obsessed with their personal micro-environment", he says. This led to perfume bans and a brief consumer flogging with products without additives - such as colour-free cola. Then came the campaign against second-hand smoke (smoke inhaled by non-smokers).

Second-hand smoke tipped the balance in the tobacco war: after a 1993 report from the Environmental Protection Agency said such smoke killed 3,000 non-smokers a

year, smokers could no longer complain that their vices were purely personal. Two years later, the Congressional Research Service said there was no evidence of "substantial health effects of passive smoking". Still, smokers remain, in the popular mind, the most serious known risk to public health.

Smoking in indoor public places has been reduced dramatically; now outdoor smoking is also being restricted. Some municipalities are taking aggressive measures against it: the village of Friendship Heights, in Maryland, tried to ban smoking on five of its seven streets (the county council overruled this). And in Norfolk, Virginia, newly hired police and

firefighters are prohibited from smoking even at home (health insurance has a role to play in this ban: because heart-lung ailments among police and firefighters are assumed to result from the job, the city has a financial interest in stopping smoking).

This has led to a sharp decline in smoking, from 32 per cent of adults in 1965 to 25 per cent now. But this may have been arrested: 1996 figures failed to show any decrease. And teen smoking has risen sharply: by 50 per cent among 13-year-olds, between 1991 and 1996. Smoking advocates say this proves that publicity against tobacco is counter-productive - and that the new tobacco agreement could also backfire.

But in the ranks of the sickly minority, many smokers say they smoke not because of or despite publicity from both sides, but because they enjoy it.

Megan has asthma and a long collapsed by smoking. She believes lung cancer would be no more than she deserves. Stephanie says she worries a lot about dying from tobacco-related illness. They are like most smokers: not unaware of the risks - indeed, they often overstate them - just fond of their vice.

But surprisingly, most smokers also support measures to curb smoking. Smokers who enjoy their vice, but wish they did not: the perfect target for tobacco war in a puritanical society.

UN eyes fragile peace in Angola

By Barnaby Phillips in Luanda

The United Nations Security Council today decides on the future of its peacekeeping operation in Angola, amid a deteriorating military and political situation.

Following today's expiry of the mandate of the Unavem III peacekeeping force, UN sources say it will be replaced by a smaller mission, comprising military and human rights observers and police.

But the precarious situation in Angola makes it almost inevitable that the UN will again postpone the complete withdrawal of the infantry battalions that make up the bulk of Unavem III, the largest peacekeeping force in the world. A diplomat in Luanda said: "The UN finds itself in a dilemma; on the one hand it is tired of funding Angola's peace process; on the other hand, it knows everything could blow up if they left."

The prospects of a breakdown in Angola's shaky peace are growing.

The fall of President Mbitu in neighbouring Zaire has upset the delicate balance of forces that has kept Angola's governing MPLA party and former rebel Unita movement in check since the signing of the Lusaka Accords in 1994. Mr Mbitu was a vital ally of Unita, and his departure has emboldened the hands of military hawks who argue in favour of a quick knock-out strike against Unita.

The government and Unita have been fighting in the diamond-rich province of Lunda Norte for several weeks. The MPLA and Unita accuse each other of planning a return to war, and the UN has appealed to both sides to tone down their hostile propaganda. While neither side is on the verge of an all-out offensive, both are strengthening forces in strategic parts of the country.

Mr Alioune Blondin Beye, the Malian diplomat who has headed Unavem III for four years, will, at least initially, be in charge of the follow-up mission.

Mr Beye's priorities will be to try to rein in the government's aggression, while convincing Unita finally to comply with the terms of the peace accords and disband its forces.

Privately, UN officials and diplomats say an agreement on the distribution of Angola's vast diamond reserves may now be the key to peace. Most of the diamond-mining areas were overrun by Unita in 1992 and 1993, but the government is now talking openly of its determination to bring them back under state control.

With government encouragement, Unita has set up its own legal company, but negotiations on concessions in Lunda Norte have been stalled for weeks. "We need a diamond agreement now," said one official involved in the peace process, "before the fighting spreads."

Sharon's meeting with PLO man admitted

By Avi Machlis in Jerusalem

Mr Ariel Sharon, Israel's hawkish infrastructure minister, recently secretly met a senior Palestine Liberation Organisation official in an apparent attempt to soften his image before his expected appointment to Israel's inner security cabinet this week.

Israeli and Palestinian officials yesterday confirmed reports that Mr Sharon met Mr Mahmoud Abbas, a senior PLO official, on June 16. The meeting was arranged by Mr Abdul-Wahab Darawshe, an Arab member of Israel's Knesset. Mr Darawshe said he received a "positive report" from the two, who said they planned to meet again.

Mr Sharon has vowed never to shake the hand of Mr Yasser Arafat, the Palestinian leader and PLO chairman, whom he has branded a murderer and war criminal. An aide to Mr Sharon refused to say whether he was now willing to meet the Palestinian leader.

Mr Sharon, a hardline former general and champion of Israeli settlement in the occupied West Bank, is the leading contender to win the vacant finance ministry post when Mr Benjamin Netanyahu, the prime minister, announces his reshuffled cabinet this week. A senior aide to Mr Netanyahu said that even if Mr Sharon was not appointed to the treasury, "it looks like he will be sent to the inner security cabinet". This would grant Mr Sharon more influence in peace negotiations if Israel and the Palestinians restart the deadlocked talks.

Mr Ronni Milo, Tel Aviv's mayor and a moderate member of the ruling Likud party, said that despite Mr Sharon's image as a stalwart ideologue, the meeting pointed to his flexibility.

"I believe that he is pragmatic and a realist," he said. "He assesses correctly that the peace process is irreversible."

Jewish settlers said they were shocked when they heard their primary sup-

porter in government appeared to have moderated his position.

Mr Ahmad Qorei, speaker of the Palestinian Legislative Council, said the Palestinians had no choice other than to forge a relationship with Mr Sharon. "Mr Sharon has a very bad reputation among Palestinians because of Sabra and Shatila," he said, referring to the massacre of hundreds of Palestinians at two refugee camps near Beirut by pro-Israel Christian militias in 1982. An Israeli commission of inquiry found Mr Sharon, then Israel's defence minister, indirectly responsible for the killings.

"But there's no doubt that he's an important figure in the Israeli government, and we cannot avoid him if we want to make peace," said Mr Qorei.

About 50,000 Israelis demonstrated against Mr Netanyahu in Tel Aviv on Saturday night. The protest was the largest rally against the prime minister since he came to power last year.

Mexican mid-term poll upset predicted

By Leslie Crawford in Mexico City

Final opinion polls before Mexico's mid-term elections next Sunday show the ruling Institutional Revolutionary party (PRI) losing its historic grip on Congress, a leftwing mayor taking Mexico City and opposition parties making gains in state elections.

However, the outcome of the July 6 vote could still throw up other surprises, given that a quarter of the electorate remains undecided, according to opinion polls published by Reforma and six other Mexican newspapers.

The PRI's support has fallen to 28 per cent compared with 48 per cent of the electorate who voted for Mr Ernesto Zedillo in the 1994 presidential elections. Several factors have contributed to the PRI's decline: the 1995 financial crash, falling family incomes, urban unemployment, rising crime, and a succession of drug and corruption scandals which have tainted high-ranking members of the party.

Mexico's opposition parties have sought to turn the elections into a referendum on Mr Zedillo's first 2½ years in office. It has been an effective campaign funded, ironically, with generous state subsidies, and focusing on the need for change after 68 years of PRI governments.



Resurrección: Cárdenas greets a rally in Mexico City, where he is set to become mayor

Although the PRI is likely to remain the largest party in Congress, its current level of support suggests it may lose overall control of the 500-seat Chamber of Deputies. The prospect of a hung parliament - the first in a century - is worrying the administration and exciting political pundits.

"If the PRI loses Congress," says Mr Oscar Levin, a PRI deputy, "the party will blame President Zedillo and the backlash against him will be strong."

Discontent within the party ranks, traditionally more populist and left-leaning than the technocrats in the administration, is likely to increase the government's difficulties in passing reformist legislation through Congress. Some PRI deputies are already forecasting a breakdown in party discipline. "It could take an entire generation before we

learn how to negotiate with each other," Mr Levin says. The first test for Mr Zedillo's negotiating talents is likely to come in November, when the government presents its 1998 budget before the Chamber of Deputies. In the past, the lower house has taken less than four weeks to rubber-stamp the budget, following a cursory examination by a committee.

The Senate has no review powers over the budget. Worries over a future unruly Congress led some PRI hardliners last week to consider calling an extraordinary session of Congress to legislate changes to the Chamber of Deputies' control of the budget. The plan was apparently quashed by Mr Zedillo at the weekend.

"The president has no wish to undermine the spirit of the democratic process," one of his aides said. The big surprise of the

election campaign has been the leftwing Revolutionary Democratic party (PRD), which many had written off. In Mexico City, Mr Cuauhtémoc Cárdenas, the PRD candidate for mayor, is forecast to win with 39 per cent of the vote. Mr Cárdenas' political resurrection, after twice losing presidential races, has raised the party's profile in areas of the country where it was previously weak. Opinion polls show the PRD could get more than 19 per cent of the national vote on July 6.

The conservative National Action party (PAN) has run a disappointing campaign in the capital, and this has depressed its support elsewhere. The PAN is likely to poll 23 per cent of the national vote, but it also has a strong chance of winning the governorship races in the industrial states of Nuevo León and Querétaro.

Penguin accounts manager accused of fraud scheme

By Richard Waters in New York

The accounts manager at Penguin USA whose actions led the book publisher to take a charge of \$100m (£65m) earlier this year was involved in a scheme to defraud the company, according to a lawsuit filed late on Friday.

The manager, Ms Christine Galatro, bought cruises to Europe, Alaska and the Caribbean with money from the fraud, as well as jewellery and antiques, the civil case brought by Penguin claimed. She is accused of working with an employee of a collections agency used by Penguin to steal at least \$1.4m.

The alleged fraud is not directly related to the \$100m charge taken by Pearson, the publishing and media group whose interests include the Financial Times as well as Penguin. That statute came from the discovery that Ms Galatro had been offering discounts to some customers

since 1991 in return for early payment of bills, and then not revealing the discounts in Penguin's accounts.

However, if proved, the fraud case could strengthen Penguin's argument that it did not know about the discounts until the beginning of this year. The company is facing a separate investigation into whether the secret discounts were part of a plan by the company to favour large booksellers, harming smaller retailers who lack the muscle to command such discounts from publishers.

In its lawsuit, filed in federal court in New Jersey, Penguin said the unauthorised discounts "were used in part to hide Galatro's thefts" by ensuring customers paid their bills early and so helping to mask the money she had stolen.

Also, it accused her of speeding payments to give the impression that she was effective at her job and "allowing the [fraud] plot to continue undetected". Like other large book publishers in the US, Penguin entered a consent decree two years ago agreeing to make discounts for early payment and other incentives available to all customers. The decree settled a lawsuit brought by the American Booksellers' Association, which represents small, independent retailers and which had accused the publishers of offering such discounts only to large booksellers.

Besides Ms Galatro, who was director of Penguin's credit and collections department until being dismissed, the fraud suit also levels charges against Mr Jerome Bedell, an employee of Associated Companies, a collection agency used by Penguin to handle payments from its customers. The two are accused of diverting cheques that should have gone to Penguin, and of deducting more than Associated's agreed fees from payments handled by the company. Ms Galatro's husband, Stanley, and Associated are also named in the suit.

Hackers hit AOL cybervirgins

By Louise Kehoe in San Francisco

Computer hackers are targeting users of America Online, the world's largest online service, with "Trojan Horse" programs that invade personal computers and steal passwords.

The problem was discovered by the National Computer Security Association (NCSA), a US security software industry group. AOL joined NCSA in warning its members of the "significant prevalence" of the online security scam.

"Trojan Horse" programs masquerade as legitimate software, but have hidden

malicious functions. Unlike computer viruses, they are seldom detected by anti-virus software, making it very difficult for users to know that private files may have been invaded.

NCSA said it had found at least three dozen versions of a Trojan Horse program that enables hackers to find details of AOL accounts, including passwords. Several of the rogue programs were first found in Germany.

The pattern of attacks on AOL users did not reflect any unique security problems with the online service, NCSA said. Rather, AOL members may be the primary targets of these attacks

because the easy-to-use online service appeals to new and relatively unsophisticated internet users.

Trojan Horse programs are sent to AOL users as attachments to e-mail messages. When a recipient downloads and runs the program, hidden "sniffer" software is activated. The sniffer records a user's keystrokes and sends them via e-mail to anonymous hackers.

"Our message is one of caution. Be extremely cautious of any programs which are sent to you by e-mail," said Mr Peter Pippert, president of NCSA. In particular, users should not run programs portrayed as software

to enhance security. "We will continue to take steps to educate AOL users about potential security risks and how they can protect themselves," said Ms Tatiana Gau, AOL vice president. Trojan Horse attacks are just the latest problem for AOL users. Many get messages from hackers purporting to be AOL staff asking for passwords.

Ironically, these scams are making AOL members more wary and experienced in dealing with hackers' tricks than most other internet users. This could drive the hackers to attack users of other internet services. Media, Page 13

AMSTERDAM
Population: 1,034 million (1993)
Telephone: 00 31 20 423 6162

BRUSSELS
Population: 959 million (1992)
Telephone: 00 32 2 625 1111

LONDON
Population: 6,934 million (1992)
Telephone: 00 44 171 826 2545

SAN FRANCISCO
Population: 724 million (1996)
Telephone: 00 1 415 434 1900

PARIS
Population: 9,318 million (1990)
Telephone: 00 33 1 4723 3730

NEW YORK
Population: 7,312 million (1992)
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CONTRACTS & TENDERS

The Russian Federal Property Fund announces that it will be conducting an auction on behalf of Russian Federation Government, for the sale of Open Joint-Stock Company "Investitsionnaya kompaniya Svyaz" ("Svyazinvest") shares in the amount of 25 percent of the authorized capital and one common share, in accordance with Statement 18 of the Law on Privatization of Government and Municipal Enterprises in Russian Federation. Official text of the informational announcement was made public in the bulletin "Reforma" No 28 from June 21, 1997. Below follows the unofficial translation of the authorized announcement of the auction, which was made public in the bulletin "Reforma".

The Svyazinvest shares are currently property of Russian Federation. Seller of the shares is the Russian Federal Property Fund. The auction is to be held on July 23, 1997. Full name of the joint-stock company is Open Joint-Stock Company "Investitsionnaya kompaniya Svyaz" ("Svyazinvest"). Legal address and location of the issuer: 103875, Moscow, ul. Yevlenskaya, d. 7. The issuer is registered at the Moscow Registration Chamber, certificate of state registration No 038.439 from September 18, 1995. Primary activities of the issuer: development and realization of investment projects in the area of telecommunications, rendering of telecommunications services to legal entities and individuals, and participation in foreign economic activities. The authorized capital of Svyazinvest was formed by means of consolidation of share stakes of 85 regional Joint-Stock companies operating in the area of telecommunications, which had been formed in the privatization process of government communications enterprises and assigned to federal property. The authorized capital of Svyazinvest totals 7,834,937,220 thousand rubles. List of the joint-stock companies, entering into the structure of Svyazinvest is given in the appendix. In accordance with Russian Federation Presidential Decree "On the measures for further development of telecommunications and management of Svyazinvest", Rostelecom, Central Telegraph, Ekaterinburgskaya City Telephone System and Giprosvyaz shares found in federal possession" from April 28, 1997 No 427 and for implementation of the Decision of Russian Federation Government "On sales of Svyazinvest" shares" No 118 from May 23, 1997, controlling blocks of shares totalling 30% of the authorized capital, or 50.7% of the number of voting shares from four joint-stock companies ("Rostelecom", "Central Telegraph", "Giprosvyaz" and "Ekaterinburgskaya CTS"), which had previously belonged to federal property, were properly transferred to the authorized capital of Svyazinvest in order to fund additional issues of Svyazinvest shares. The authorized capital of Svyazinvest is 19,518,337,220 thousand rubles divided into 19,518,337,220 common shares. The property issued shares of Svyazinvest were registered with the Department of Finance in Moscow, entitled to provide registration for issued stocks in accordance with legislation of Russian Federation. The state registration codes of the issued Svyazinvest shares are: first issue: No 734 "p" - 5674 from October 10, 1995 second issue: No 734 "p" - 6334 from March 3, 1996 third issue: No 734 "p" - 8400 from June 2, 1997. In accordance with the plan of privatization 51% of the shares will remain as federal property. 25% of the shares of the authorized capital plus one common share is put up for auction and 24% of the shares of the authorized capital minus one common share will be put up for commercial bidding with investment terms in the first half of the year of 1998. Nominal value of the shares is 1000 rubles. Nominal value of the block of shares is 4,879,584,306 thousand rubles. Initial price of the block of shares is established in an equal sum in rubles, equivalent to 1180 million US dollars by the exchange rate of the Central Bank of Russian Federation on the date of payment. A block of 4,879,584,306 common shares (25% of the authorized capital + 1 share) are being put up for auction. The auction will be conducted in the form of bidding, open to the participants and closed by submission of offers by price for the block of shares, in accordance with the Law on the sales of blocks of shares, totalling 25% of the authorized capital and one common share, in a monetary auction, confirmed by the State Property Committee from June 20, 1997 No 488-r. Documents which must be submitted for participation in the auction: Application for participation in the auction according to the form described in the present informational announcement. A copy of a payment document of the money transfer for the deposit sum of the account of the seller with a bank note of the payee. A certified copy of the SWIFT printout of money transfer of foreign currency (for transfer of foreign currency). Legal entities submit the constituent documents, confirming the size of participation of the state, bodies of government power and local authorities, municipal organizations, charitable and other social fund in their authorized capital (for joint-stock companies, book entry from the register of the shareholders). For foreign companies a notarial copy of the founding documents is necessary (in two copies), as well as book entry from a trade register or any equivalent proof of legal status in accordance with the legislation of the country in which the company is located. The list of submitted documents in two copies. Offers for the price of the block of shares are to be provided by the participants to the Commission for the conduct of the auction in a sealed envelope, after acquiring the status of auction participant in accordance with Law 4.6. The sum of the down payment will be deposited in one payment either in US dollars or in Russian rubles into the account of the seller, as stated in the informational announcement. The down payment, deposited by applicants for participation in the auction, is established at the sum: in Russian rubles - 232 million rubles in foreign currency - 400 million US dollars. The settlement account of the seller for transfer of the advance in Russian rubles: INN 7704097816 encipher 693401 LIS PD, BIK 04401002. The corresponding account of the Central Bank of Russian Federation for deposit of the advance in US dollars: Republic National Bank of New York, New York account No 418 555 800. Beneficiary - Russian Federal Property Fund (down payment for participation in the auction of Svyazinvest), account No 307001 in OJPERU-1 of the Central Bank of Russian Federation. Deposit of the down payment sum must be received into the account of the seller no later than July 21, 1997. Documents, confirming the receipt of the down payment sum into the account of the seller is a seller's account statement, which the seller must submit to the Commission for the conduct of the auction before the beginning of the auction summation. For information: issue of a personal account of the seller in OJPERU-1 Bank of Russia is given to the bank of the seller on the third working day after entering into the account of the seller. Obligation of the aspirant for transfer of the down payment is legalised by the down payment contract, which is to be signed by the aspirant and the seller before transference of the down payment, as stated in the informational announcement. In the down payment contract, the procedure for return of the down payment sum is provided for in the event that the aspirant is not allowed to participate in the auction or if not recognised as the winner of the auction. Legal entities and individuals, in accordance with statement 9 of Russian Federation Law "On privatization of government and municipal enterprises in Russian Federation" are allowed to participate in the auction and are acknowledged as purchasers, who submit the application and other documents for participation in the auction on time, as stated in the informational announcement, and provide receipt of the down payment sum into the account of the seller in the authorized amount and date. Participation in the auction is allowed to foreign legal entities and individuals who meet with these requirements, and requirements established by the legislation of Russian Federation. Applications for auction participation will be received daily from June 23, 1997 until July 21, 1997 from 9:00am to 6:00pm Moscow time, at the address of the Commission for the conduct of the auction. Price offers for the block of Svyazinvest shares, submitted by the aspirants, who become participants of the auction will be received on July 22, 1997 from 2:00pm to 5:00pm Moscow time by the Commission for conduct of the auction. The price offers must be submitted in a sealed envelope, and must be drawn up in Russian language, and signed by the entitled representative of the participant of the auction. The price offer must be given in a whole number, and also written out, in US dollars, with acceptance that the participant of the auction must make payment for the block of Svyazinvest shares in Russian rubles according to the exchange rate of the Central Bank of Russian Federation on the date of payment. In the event of contradiction between the numeric figure and the written figure, the Commission will only take into consideration the numeric figure. Price offers given below the initial price will not be considered. Summing up of the auction will be July 25 1997 at 5:00pm Moscow time at the address of the Commission for conduct of the auction. The winner of the auction bidding will be the person who offered the highest price for the block of Svyazinvest shares being sold. If two or more equal offers were made by participants of the auction for the price of the block of shares, determination of the winner will be decided by the date and time of the down payment deposit into the account of the seller. The winner of the auction will be the participant whose down payment was deposited into the account of the seller before the others. Notification of the winner of the auction and of the auction participant who is not the winner and a copy of the protocol for conduct of the auction will be given to the winner or to his authorized representative by receipt or dispatch of a post order. In no less than three working days, from the moment of confirmation of the protocol for conduct of the auction summing up, the seller and purchaser must fulfil the sales-purchase contract as stated in the informational announcement. If the winner of the auction does not follow or refuses the close of the sales-purchase contract, the down payment will not be returned, and the right to close the sales-purchase contract goes to the participant who offered the second highest bid after the winner for the block of shares price. The auction, in which there is only one participant, and also in the event that the participant who offered the second highest bid should refuse to close the sales-purchase contract, will not be considered valid. For payment of the price of the Svyazinvest block of shares, as determined in the process of trade, the purchaser is allowed instalments. The down payment, transferred from the purchaser to the account of the seller, is counted in the sum of the block of shares sold and is considered as the first payment of the moment of conclusion of the sales-purchase agreement. The remaining payments for the price of the block of shares must be transferred by the purchaser to the account of the seller within a period of seventy-five calendar days after the conclusion of the purchase-sales contract in the following way: -half of the sum of the total payment within a period of fifteen calendar days from the day of conclusion of the purchase-sales contract of the block of shares; -the remaining portion of the complete payment within a period of seventy-five calendar days from the conclusion of the purchase-sales contract. The moment of payment transfer is receipt of the money into the account of the seller. Delay in meeting the obligations for payment of the blocks of shares is not allowed. In the case of overdue payment, the contract is considered cancelled according to its terms, all obligations of the contract are terminated, and the sum of the purchaser's down payment is not returned. Transfer of the payments for the blocks of shares must be made in Russian rubles according to the exchange rate of the Central Bank of Russian Federation on the date of payment into the account of the seller. INN 7704097816 encipher 693401 a OJPERU-1 npi LIS PD, BIK 04401002. The property rights for the block of shares transfers from the seller to the purchaser from the moment a corresponding entry is made in the register of the Svyazinvest owner, carried out after registration of the sales-purchase contract for the block of shares by the seller. Registration of the sales-purchase contract for the block of shares is to be made within two working days after the moment the purchaser fully fulfils the sales-purchase contract, that is confirmed by account statements of the seller that the monetary means were received in the amount and by the date stated in the sales/purchase contract; -the purchaser submitting to the seller a written agreement of the State Antimonopoly Committee of Russia on the purchase of the block of shares, as was subject to bidding in an auction; -receipt receipt declaring the monetary sources, used by the purchaser at the moment of payment for the price of the block of shares; -purchaser submitting to the seller a written agreement by the appropriate body of the purchaser, allowing the purchase of the block of shares, if it is necessary according to the purchaser's founding documents, and judicial legislation of the country in which the purchaser is registered. The seller and Commission for the conduct of the auction are located at the address: Russia, Moscow, Leninskiy Prospekt, d. 9, 9th floor, room 810. Contact telephone numbers: Russian Federal Property Fund phone: 7(095) 236-6548, Fax: 7(095) 956-2780. You may become acquainted with the plans of privatization and other constituent documents, terms of auction conduct, receive information of Svyazinvest and its affiliate companies and hand in applications to the address: Russia, Moscow, Leninskiy Prospekt, d. 9, 9th floor, room 810, tel.: 7(095) 236-6548. Additional information on Svyazinvest available at <http://www.cbr.ru/eng/rb/rp/inf.htm>

NEWS: WORLD TRADE

UK to press for deal over US domestic flight routes

By Michael Skapinker, Aerospace Correspondent

The UK government is set to press for British carriers to be allowed to fly on domestic routes within the US, a demand that Washington has in the past rejected.

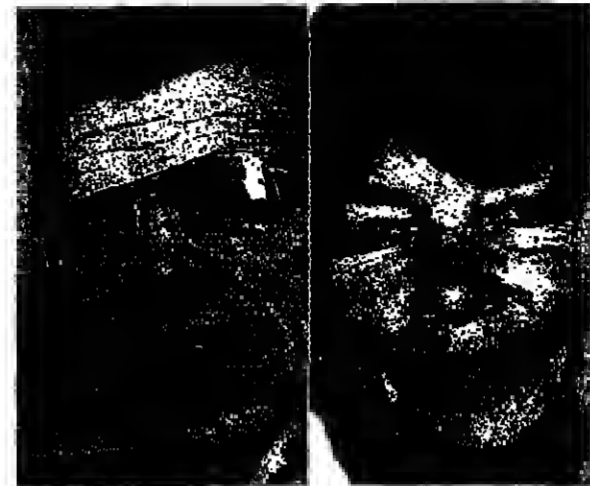
The US is waiting for the Labour government to resume negotiations on an "open skies" deal. Washington has made such an agreement a precondition for approving the proposed alliance between British Airways and American Airlines.

Attempts by the previous Conservative government to strike a new air deal founded over Washington's demand that US airlines be given greater access to London's Heathrow airport and over the UK's insistence that British carriers be given the right to fly domestically in the US.

The UK's insistence on this right - known as cabotage - was one of the main factors behind Washington's decision to call off further negotiations last summer.

Talks later resumed, but were interrupted by the UK elections.

In a written answer to a parliamentary question last week, Ms Glenda Jackson,



Off course: American Airlines chief Robert Crandall says "It's not going to happen" but Glenda Jackson (right) is determined to put issue of access to US routes on agenda

UK transport minister, said she expected the government to raise the cabotage issue again when negotiations resumed. She said: "I would expect access by UK carriers to routes both within and beyond the US to be part of any such negotiations."

The Conservative government argued that if US carriers were given the right to fly from the UK to third countries, British carriers should be given the right to fly within the US, as the

Mr Gerald Greenwald, chairman of United Airlines of the US, said: "US unions are crazed over the cabotage issue."

Ms Jackson said she also expected the UK government to raise the issue of limits on foreign investment in US airlines. Washington does not allow foreign companies to own more than 25 per cent of a US airline. The European Union allows foreign shareholders to own up to 49.9 per cent of an EU airline.

The proposed BA-American alliance, which envisages extensive co-operation and revenue sharing, still has to be approved by UK, EU and US regulators. The UK Office of Fair Trading has recommended that the deal be allowed to go ahead if BA and American agree to give up enough slots at Heathrow to allow rival airlines to make 12 additional round trips a day. Mrs Margaret Beckett, the trade and industry secretary, has yet to give her decision on the alliance. The General Accounting Office, the investigative arm of the US legislature, has said the two airlines should be required to give up 23 daily round trips at Heathrow. Business travel, Page 14

EU poised to strike price pact over chips

'Gentleman's agreement with Japan and S Korea could mean lifting of anti-dumping measures

By Neil Buckley in Brussels and Paul Taylor in London

European Union, Japanese and South Korean semiconductor makers are poised to begin talks on a "gentleman's agreement" on minimum prices that could lead to the lifting of EU anti-dumping measures on computer memory chips.

The European Commission announced in March it was reintroducing minimum price undertakings on imported Japanese and South Korean DRAM chips, after a 21-month suspension, when it found evidence that manufacturers were again selling below cost price.

That decision pleased European DRAM manufacturers, but caused concern in the electronics industry. DRAMs, or Dynamic Random Access Memory chips, are the basic building block for all kinds of intelligent electronic devices from video recorders to personal computers. The EU market is estimated at \$2.5bn (£1.6bn) a year, of which Japan and South Korea manufacturers have around 80 per cent.

Brussels is nearing the end of a review of the measures - one of the EU's largest and most complex dumping cases - which date back to 1990 for Japan and 1993 for South Korea. It is expected to make recommendations to EU ministers soon on future action, prompting growing speculation among industry analysts.

But the European Electronics Component Manufacturers' Association (EECA), representing EU semiconductor manufacturers, is poised to begin talks with its Japanese and South Korean counterparts on an industry-to-industry agreement on minimum prices. The talks, backed by the Commission, could lead to the replacement of EU measures with a

voluntary price-monitoring framework.

The Electronic Industries Association of Japan and the Korean Semiconductor Industry Association have both demanded EECA drops its long-standing complaint about dumping by the two countries in return for an agreement. EECA, in turn, is seeking guarantees from the European Commission, before it enters talks, that anti-dumping duties would immediately be lifted on any manufacturers found to be breaching a future agreement.

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voluntary price-monitoring framework. The industry agreement would be modelled on that already operating between Japan, South Korea and the US on so-called flash SDRAMs, and various types of DRAMs. It would involve a voluntary framework, whereby manufacturers agreed to sell above minimum prices, and would store production cost and pricing information on disks which could be checked at any time

Ground breaking vehicle for farmers

By Peter Marsh in London

Coming soon for the farmer who has everything: a vehicle called the Xerion which is claimed to be first all-purpose, adaptable agricultural machine.

The Xerion, due to be launched next year by the German farm machinery maker Claas, will be suited to a large range of applications, from potato digging to spraying chemicals.

The machine will have a cab that swivels and can be lifted well above the chassis to allow attachments for specific uses to be fitted to the body. "This machine will be unique," said Mr Eckart Kottkamp, chief executive of the family-owned Claas, which is Europe's biggest maker of combine harvesters.

So far the company has made 50-100 of the vehicles, which have been tested on farms around the continent.

After the launch, the company hopes for sales of several hundred machines a year, mainly to well-to-do farmers keen on innovation and who can afford the DM200,000 (\$126,000) to DM400,000 (Xerion will cost).

The system marks a new era for the agricultural equipment industry because for most of the past 50 years farm machines have been getting more specialised.

Companies have developed for specific jobs vehicles such as balers, foragers and grape harvesters, rather than opting for multi-purpose systems.

Mr Claas reasons this approach can be turned on its head.

Through the development of a highly sophisticated basic vehicle - complete with four-wheel steering, and automatic gearbox that works going forward or in reverse - the farmer can be given a "workhorse" that can be adapted for jobs such as lifting beet or spreading fertiliser through the addition of extra equipment.

In spite of its high cost, the company predicts that the Xerion - which it has developed over the past five years - will pay for itself by allowing farmers to organise their work with fewer specialised vehicles.

But other observers are not so sure.

Mr Chris Barrow-Williams, a farm equipment expert at Off Highway Research, a London consultancy, said: "It looks a bit weird and wonderful. It's a big risk for the company."

Another agriculture machinery manager said he thought dealers might be put off stocking the machines because the concept was so unusual.

Poor skills raise cost of marine insurance claims

By Christopher Adams, Insurance Correspondent

Poorly skilled seamen unable to speak a common language and the advanced age of the world's commercial shipping fleet are pushing up the cost of marine insurance claims.

Vessels manned by crews from the third world unable to speak the same language are a danger to maritime safety, says the London-based Salvage Association in its annual report.

"We frequently come across ships that have got into difficulties because the crew cannot communicate freely and easily with each other," says Mr Trevor Hart, chairman of the Salvage Association.

Many crews are frequently unable to read manuals or make entries in log books because the language used is unknown to them. Engine room damage accounted for 36 per cent of marine insurance claims last year.

"Machinery on newly acquired tonnage is often operated without inspection, maintenance records or even accessible manuals - with expensive results. The skills of some superintendents and their engineroom crews are questionable," says Mr Hart.

In addition, as the average age of shipping increases, spare parts which used to be available immediately can now take up to a year for delivery, causing repair costs to rise. "The problem is compounded by the commercial pressures which have

led owners to carry the barest minimum of spares," says the association.

A recent glut of capacity and the rising costs of environmental and safety issues have meant there is little incentive for owners to break up older vessels and invest in new ones.

In particular, the spread of ex-Soviet vessels built several decades ago has exacerbated claims. Parts for such ships must often be manufactured since spares no longer exist.

Some new innovations have helped to improve safety, such as global positioning systems which assist in navigation. But even here, the unwary can be responsible for accidents.

LEGAL NOTICE

No. 1679 of 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
J BERRY & SONS PLC
AND
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY given that the order of the High Court of Justice (Chancery Division) dated 23rd June 1997, appointing a Scheme of Arrangement and confirming a reduction of capital of the above named company from £111,000,000 to £62,104,965.50 and the Minutes approved by the Court showing with respect to the capital of the said company as altered in accordance with the above mentioned order were registered by the Registrar of Companies on 24th June 1997. Dated the 30th day of June 1997.
ASBESTUS MORRIS CRISP
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FT Surveys

سكربتات الاصل

ASIA-PACIFIC NEWS DIGEST

Merrill banker in fraud probe

A former senior private banker at Merrill Lynch, sacked by the US investment bank last month, is under investigation following claims that he forged wealthy clients' signatures.

Merrill Lynch said it had commenced civil proceedings against Mr Kevin Wallace, an American, in Singapore, where he was based, and in Hong Kong where he is believed to be. A criminal complaint has also been filed in Singapore, and the bank says it is working closely with all the relevant authorities.

Reports suggest the alleged fraud could cost Merrill Lynch up to \$30m. The bank claims that Mr Wallace, a former private client financial consultant, engaged in unauthorised trading, misrepresenting or falsifying private client statements, and forging client signatures.

Merrill Lynch said anomalies within the division came to light after Mr Wallace's departure on May 15. It said: "It has become apparent Mr Wallace had engaged in inappropriate conduct in some private client accounts." The bank has also obtained a Mareva injunction freezing property and other assets.

Louise Lucas, Hong Kong

Indian industrial growth slows

India's industrial growth rate in the year to March slumped to 6.7 per cent, down from 11.9 per cent in 1995-96, according to government figures. The disappointing performance for 1996-97 is well down on forecasts in the government's Economic Survey, which forecast industrial growth of 8.7 per cent.

The worst performing sectors were in infrastructure. Electricity and mining expanded by only 3.8 per cent and 1.2 per cent compared with 8.1 per cent and 7.4 per cent previously. The manufacturing sector was slightly better at 8 per cent growth, compared with 13 per cent in 1995-96, according to figures published by the Central Statistical Organisation.

Meanwhile, Mr I K Gujral, India's prime minister, has set up a high powered cabinet team to boost exports, an indication of the government's increasing concern over poor export performance. Last year there was a significant slowdown in exports growth to 4.01 per cent, compared with more than 21 per cent growth in the previous year.

Khaem Merchant, New Delhi

Emerging Markets: Further growth for Bombay, Page 26

Taiwanese protest on China

Seventy thousand Taiwanese took to the streets in weekend demonstrations against a Hong Kong-style union with China, but only around 100 people turned up at a rally in support of reunification.

Billed as a "Say No to China" rally, Saturday's protest was the biggest public demonstration in Taiwan for five years. Veteran independence activists led the crowd in chanting "Taiwan is Taiwan, China is China".

Beijing, which has viewed Nationalist-ruled Taiwan as a rebel province since a 1949 civil war split, has vowed to attack if Taipei stops advocating reunition and pursues independence. The pro-reunification march was shunned even by leaders of Taiwan's largest pro-unification party, the New Party, which along with the other leading parties has vetoed the "Hoog Kong model". Taiwan's ruling Nationalist party says it wants to unite with China, but only after Beijing's Communist party agrees to adopt political reforms.

Laura Tyson, Taipei

Bangkok investors urge action

Bangkok-based investors want the authorities to spell out urgently how they intend to bring the financial sector back to health.

Last week's suspension of 16 ailing finance houses has been generally welcomed as a sign that regulators have accepted that painful surgery may be necessary to staunch the spreading bad debt crisis. The 16 finance houses, from a total of 91 non-bank lenders, must come up with plans to merge with healthier entities within a fortnight - or be faced with forced takeovers and the loss of their licences. But confusion remains over how the crisis will pan out over the next few critical weeks. "If they don't give us some more detail, then people will think they're making policy on the hoof and confidence will continue to drain away," said one Thai stockbroker.

One fear is that a second round of mergers may quickly become necessary. A central bank spokesman said yesterday finance houses would be cajoled into reducing deposit rates nearer to commercial bank rates. This will ease non-bank lenders' cost pressures but make depositor withdrawals more likely.

William Barnes, Bangkok

NLD denies foreign help

Burma's opposition National League for Democracy (NLD) yesterday denied charges by the ruling military junta that the NLD had accepted foreign financial assistance. "The NLD does not accept foreign financial assistance on principle," said the party's vice-chairman, Mr U Kyi Maung. The NLD and its leader, Ms Aung San Suu Kyi, had been offered foreign funding in the past but had turned it down as large amounts of money were not needed to maintain the party, he said.

Secretary One, Lieutenant General Khin Nyunt, of the ruling State Law and Order Restoration Council (SLORC) said on Friday that the NLD had accepted \$85,200 from two covert US agents earlier this year. The US, which imposed economic sanctions on Burma in June, has denied its agents were involved.

Reuter, Rangoon

Vietcombank seeks to quell debt fears

By Jeremy Grant in Hanoi

Vietnam's biggest bank, Vietcombank, has reassured foreign bankers that its recent failure to pay short-term trade debts was simply due to kinks in the legal system, and that the country's balance of payments is improving.

Confidence in the financial system was hit last week after revelations that Vietcombank, a quasi-sovereign risk, had not paid a series of short-term trade debts owed to foreign banks.

Vietcombank told bankers it could not pay because domestic banking rules prevented it from doing so as its clients were in diffi-

culty - despite international conventions saying this is irrelevant to bank-to-bank deals.

However, Mr Vu Viet Ngoan, deputy director general, said: "Vietnamese laws do not take precedence over international conventions. We never had any intention to place them higher. We never refuse to pay foreign banks."

He conceded that Vietcombank had missed payments of about \$5m under letters of credit owed to "several" banks and that the bank had asked for more time.

The root of the problem was lack of clarity in a regulation on guarantees, issued by the central bank and governor in 1985. "The Vietnamese

legal system is not yet complete and I think our clients and [foreign] investors understand this and have sympathy with us," Mr Ngoan said.

He strongly denied that Vietcombank had acted on the instructions of the finance ministry, as earlier reports had said.

However, bankers still question why Vietcombank - which most agree has the funds to be able to pay - had chosen not to pay, in defiance of international banking conventions. The case highlights the contradiction between Vietnam's ambitions to be a player in international financial markets and slow progress on improving its

often dysfunctional legal system.

The World Bank and the Asian Development Bank (ADB) have called for a radical overhaul of Vietnam's banking system. But a landmark banking law was unexpectedly shelved by the country's parliament this year.

A \$49m World Bank funded banking reform scheme is a year behind schedule and a similar ADB programme is also looking shaky.

A second, \$45m tranche of ADB funding for its programme is due for release early next year. That depends on Hanoi finally adopting the new banking law, and introducing rules on bills of exchange and collateral by early next year.

Diplomats say some movement on this could come later this year once a new government team is in place. But one ADB official said: "At the moment we are far from having those conditions met."

Vietcombank's troubles coincide with worries over the country's foreign exchange reserve position, which economists say is fragile at about \$1.7bn.

However, Mr Ngoan said the government expected foreign investment and official development assistance inflows to add \$500m to reserves by the end of this year. "The trade deficit has fallen. The overall balance of payments is positive."

Philippines braced for forex confrontation

By Justin Marozzi in Manila

The Philippines is bracing itself for a confrontation with foreign exchange speculators, as analysts fear a spill-over effect from neighbouring Thailand may trigger a run on the peso.

The peso, which after two volatile years emerged as one of the most stable currencies in the region in 1996, is now considered a potential "soft" target after the Thai baht.

"What the central bank

does now with regard to the currency is one of the most crucial things in the whole economic management of the Philippines," said Mr Matthew Sutherland, head of research at Asia Equity.

"What we'd like to see is more volatility and depreciation because this will discourage the massive overseas borrowing by those who think the currency is pegged and carries no foreign exchange risk," he said.

According to a report by

stockbroker W.I.Carr, the banking sector's foreign exchange liabilities surged from \$4.2bn in 1992 to \$8.6bn in 1996.

"With the increased exposure of the banking system, it is increasingly becoming unattractive for the central bank to depreciate the currency in favour of a trade competitiveness objective," the report concludes.

Mr Amando Tetangco, the newly appointed head of research and treasury at the central bank, argues that he

is under no pressure to devalue the peso to enhance export competitiveness.

In 1996 and 1997, he says, the country was the region's export leader.

"The position of exports does not indicate our exchange rate is overvalued," he says.

Mr Tetangco also highlights recent moves by the central bank to limit banks' exposure to the property market to 20 per cent, and force them to keep 30 per cent of their foreign

exchange cover in liquid assets. The Philippines has been in this position before and emerged slightly bruised but in good health.

In 1996, it was regarded by many as the country most likely to repeat the Mexican financial crisis.

That time, with increased interest rates and a 7 per cent devaluation of the peso, the central bank weathered the storm of sharp capital flow reversals.

But the Thai spectre has already cast its shadow over

Manila's property market and hit property stocks this year.

"It is a factor that can have an impact on the Philippines, Malaysia and Indonesia," admits Mr Tetangco.

"It's external to each of them, but in the end I think it is crucial for a country to maintain stable macro-economic conditions. So far, we're comfortable with the way monetary and fiscal policy is being carried out," he added.



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NEWS: HONG KONG HANDOVER

China and UK look for an end to the fireworks

By Richard Lambert, Peter Montagnon, and John Ridding in Hong Kong

New clichés have begun to flow thick and fast in Hong Kong. The handover to China at midnight tonight, it is said at countless parties and ceremonies, marks a beginning and not an end for Britain's relationship with China.

Even Mr Robin Cook, Britain's eloquent foreign secretary, a man not given to commonplace utterances, has coined a new catchphrase with his description of the territory as "a bridge not a barrier" to mainland China.

But there is no doubt that he is serious when he says Britain is keen for a fresh start when the ceremonies and fireworks are over. The new Labour government attaches importance to its relationship with a country destined to become a leading power in the Pacific, the "fulcrum" of the world economy in the next century, he said in an interview on the eve of the handover.

The extent to which the two can forge a new relationship depends on

China fulfilling its commitments to maintain freedoms in Hong Kong and on the territory continuing to thrive, he adds. If those conditions are met, Britain's association with Hong Kong ought to give it a particular advantage.

"For the foreseeable future, possibly for the 50 years that the [Sino-British] joint declaration remains legally in force, Hong Kong will be both at the centre of our relations with China and will be our gateway and access to China. Potentially this actually gives us quite an important standing start over other competitor nations."

In stark contrast to Mr Chris Patten, the outgoing governor, the foreign secretary admits that British business interests suffered as a result of the bilateral arguments in the run-up to the handover. "Relations with China have been strained, and that has had an economic consequence," he says. "My impression is that Beijing is just as anxious for a fresh start as is Britain, and that they recognise the importance of Britain both as a trading

Hong Kong is Asia's most dynamic financial and trading centre. As it prepares to revert to China tonight, FT correspondents examine the business and political implications

nation and as a European power." Britain's continuing involvement in Hong Kong will give it "a valuable inside track," he says. Admittedly, in the short run its economic interest is focused more strongly on Hong Kong, which takes three times as many UK exports as the mainland and has 10 times as much UK foreign investment.

Yet the border crossings between Hong Kong and the Chinese mainland are the busiest anywhere in the world, except for those between Mexico and the US, he says. That traffic will grow, making Hong Kong an "immense springboard" into the Chinese economy, as long as China also keeps to its obligations to Hong Kong under the Sino-British declaration.

With hindsight, Mr Cook says Britain

ought to have given Hong Kong democracy before, rather than after it negotiated the terms of the handover with China. But the main focus now is to get across to Beijing the vital need for it to live up to its commitment to hold elections in the territory.

He believes the elections will be held by next May as the incoming administration has promised, but they must also be free and fair. They will be judged by how representative the outcome is.

"It would have to be a pretty unfair system that prevented the Democratic party from being represented in any Legislative Council because they are the single largest party," Mr Martin Lee, the popular Democrat politician, will always be welcome in London

whether he has a seat in LegCo or not, he adds.

Mr Cook is dismissive of those who saw a sign of impotence in Britain's failure to generate broad international support for its boycott of the swearing-in of China's appointed legislature.

The communiques from both the Denver summit of leading industrial nations and from the European Union summit in Amsterdam contain tough language on Hong Kong elections.

"I don't think China should underestimate the importance that the international community attaches to that as the first test of China's discharge of its obligations under the joint declaration," he says.

Britain will continue to raise human rights issues with China, although, in the particular context of the handover, ceremonies, discussion will focus on Hong Kong. The prime minister, Mr Tony Blair, will have substantive discussions with China's President Jiang Zemin today, stressing the importance Britain attaches to the election issue.

Their meeting will not be just a "getting-to-know-you" session and may lay the groundwork for the UK leader to visit China. "We would hope that Mr Blair would be returning to this part of the world in the near future and would visit Beijing then," Mr Cook says.

Whatever the case, plain talking is likely to continue. Mr Cook says that if France was seeking commercial advantage by its recent softer stand on China's human rights, then it failed. President Jacques Chirac only got an order for 30 Airbus aircraft, rather less than he wanted, he says.

Then there is the issue of principle. "I have no patience with this idea that we should all stifle perfectly legitimate and considered points of view about Chinese political structures simply in the hope that they might reward us by throwing us a few extra contracts. It seems an extraordinarily short-sighted perspective, and also one that is flatly and totally in contradiction with the global thrust towards liberalisation of trade."

Jiang seeks a boost for his leadership

President Jiang Zemin's path to aspiring world statesman has been difficult, but his appearance tonight at Hong Kong's handover celebrations will provide a unique platform in front of a television audience of millions, at home and abroad.

The occasion's importance for Mr Jiang could hardly be overstated, both for his domestic standing at a critical moment politically and on the broader world stage.

Mr Shi Min, head of the Asia Pacific Studies research centre at State Council, or cabinet, says: "Hong Kong's return to China is a world event... President Jiang's attendance shows that he himself and the government attach great importance to Hong Kong and its future prosperity and stability."

Chinese officials are reluctant to comment on the domestic implications, but Mr Jiang, 70, will be anxious to use the handover to bolster his political standing in the lead-up to the 15th Communist party congress due in mid-September.

The Hong Kong transfer comes at the beginning of a critical six months for Mr Jiang during which he will have the opportunity to define his leadership and strengthen control over party and state institutions.

His appearance in Hong Kong will be followed by an intense period of behind-the-scenes manoeuvring for the party congress, marked by July-August consultations among the top leadership at Beidaihe, a beach resort east of Beijing. It is at Beidaihe where personnel and policy issues will be thrashed out.

Mr Jiang may be first among equals in the post-Deng Xiaoping collective leadership, but he is surrounded by powerful figures who are not necessarily inclined to yield to his wishes. A successful Hong Kong handover would, however, firm his hand.

A western ambassador in Beijing warned that while there would be rewards for Mr Jiang in the Hong Kong celebrations there were also risks, especially if the occa-

sion is marred by unpleasant demonstrations and an over-reaction by security forces.

Not only would such a development reflect badly on Mr Jiang domestically, it would also cast a pall over an active international schedule this year, including a visit to the US in October for a long-awaited summit with President Bill Clinton.

Lingering criticism of China over its crackdown on pro-democracy demonstrators in 1989 continues to ruffle relations with other countries. The Tiananmen episode complicates Mr Jiang's efforts to secure acceptance internationally.

A successful handover would help further to neutralise negative fallout from Tiananmen. As Mr Tang Guanghui of the China Institute for Contemporary International Relations says: "This is also the beginning of re-establishing trust for China and the Communist party in the world."

Mr Jiang is due to address a joint meeting in Hong Kong in September of the International Monetary Fund and World Bank, and in November he is to go to Vancouver for a session of the Asia Pacific Economic Co-operation (APEC) forum.

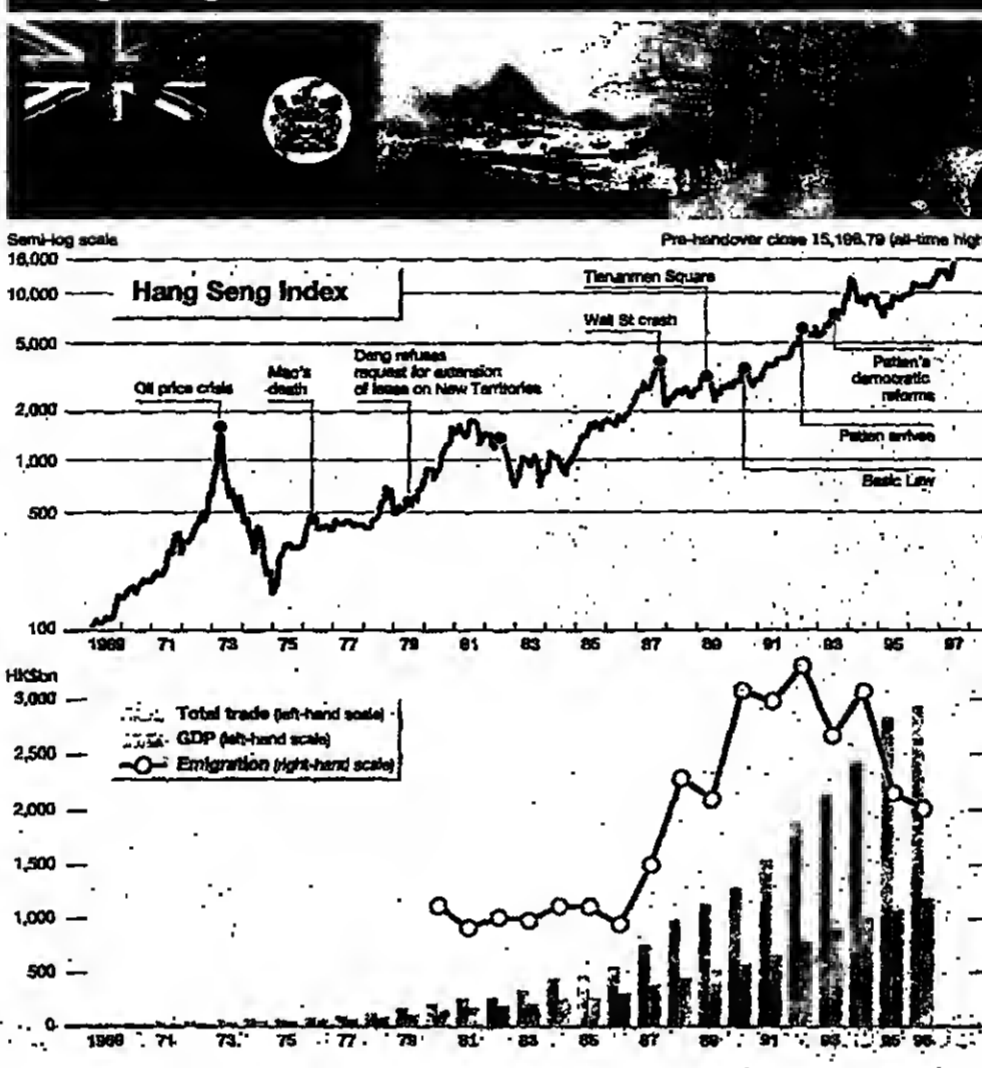
China's propaganda machine has accelerated efforts in the wake of Mr Deng's death in February to project Mr Jiang as the dominant leader in preparation for the party congress.

In its efforts to bolster him the official media has been giving prominence to a speech on May 29 to a graduating class from the central party school in Beijing. The address, which stressed continuing economic reforms, is seen as a "dress rehearsal" for the congress.

The 15th congress will be the first since China launched its economic reforms in 1978 to be held without Mr Deng's guiding hand. It will be a watershed between the "second generation" of Chinese leaders and the "third generation" represented by Mr Jiang.

Tony Walker

Hong Kong: end of an era



The handover in quotes

1984: Deng Xiaoping rejecting idea of continued British administration. "We are confident that the people of Hong Kong are capable of handling the affairs of Hong Kong and we will not interfere with them."

1985: Chris Patten, governor, on debate with China over the democratic reform proposals. "We thought that there were various details of the reform proposals and I have to say I turned out to be the advocate of what we anticipated."

1986: Sir Patten, former British ambassador to Beijing, on the reform proposals. "The time has come to stand on a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong."

1987: Sir Patten, former British ambassador to Beijing, on the reform proposals. "The time has come to stand on a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong."

1988: Sir Patten, former British ambassador to Beijing, on the reform proposals. "The time has come to stand on a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong."

1989: Sir Patten, former British ambassador to Beijing, on the reform proposals. "The time has come to stand on a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong."

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1991: Sir Patten, former British ambassador to Beijing, on the reform proposals. "The time has come to stand on a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong. It has been a long time since we have had a change of course in Hong Kong."

Business players weigh rules of the game

The time-chart sketched by Sir Gordon Wu, managing director of Hopewell Holdings, breaks down into three sections. "That was when the British Hong Kong were dominant. Then, from the 1970s, there are the local Hong Kong Chinese. And now we have the red-chips," he says.

The advent of the red-chips - mainland-backed enterprises - is one clear upheaval in Hong Kong's corporate landscape as it prepares to return to China. Mainland-backed companies such as Citic Pacific and China Everbright have established themselves as influential deal-makers, taking stakes in strategic industries. But what else will change, and will the playing field be tilted towards China? For a city based on

sovereignty. The clearest example is Swire's partnership with Citic Pacific, which has seen the mainland-backed group take a 25 per cent stake in Cathay Pacific, the territory's *de facto* flag carrier.

More recently, Cable & Wireless this month sold a strategic shareholding in Hongkong Telecom to China's main telecom group. Mr Richard Brown, C&W chief executive, said there was no political pressure to reach a deal. But it would not have happened without the transfer of sovereignty.

Beyond these formal alliances, the Hong Kong Chinese tycoons have been joining up with mainland-backed businesses in everything from property to infrastructure. Even Jardines, once branded a "black sheep" of business for supporting dem-

ocratic reforms in the territory, has been welcomed back to the fold in a symbolic meeting at Beijing's Zhongnanhai leadership compound last month.

But these are early days for the new balance of corporate power. One concern is that after the sensitive period of the handover is out of the way, deals may come unstuck. "Once the sharks have smelt blood they will come back for more," warns one fund manager.

A more serious worry is that business will become less transparent and that commercial success will depend increasingly on contacts. Hong Kong's market regulators are investigating several red-chips following unexplained share price movements. Although generally optimistic, Mr Hideaki Ueda, Japan's consul geo-

eral, predicts a "China-isation" of Hong Kong business, in which emphasis is placed on relationships.

Across the community, corruption is viewed as the main threat. "People here remember corruption in the 1970s and know how serious the problem now is in China," says Mr Michael de Golyer, head of the transition project at Baptist University. He points to an additional risk of political correctness creeping into business, in which the danger that corporate leaders could turn to Beijing for decisions.

There have been worrying precedents - telecom groups lobbied Beijing over mobile telecom franchises last year. But so far the cases are limited. "I think many business fears for Hong Kong have been exaggerated," says Mr de Golyer. "Everyone is looking

at what could theoretically go wrong without looking at the track record."

Whether that record remains on track will depend as much on Hong Kong as on China's commitment to autonomy for the territory. "The crucial factor is for those in Hong Kong to insist that deals can only be done on a commercial basis," says Mr Larry Yung, chairman of Citic Pacific. "One country, two systems" has to be protected and upheld by both sides.

New players such as Citic Pacific will themselves play a vital role in business prospects, and not just because of the investments they make. If red-chips can succeed in playing by the rules, then the rules are more likely to remain intact.

John Ridding

A smooth path to positions of power and influence

The new elite



Tung Chee-hwa, Hong Kong's first post-colonial leader. Former shipping tycoon. Tipped for top spot even before President Jiang Zemin singled him out for handover last year. Vice-chairman of Beijing-chosen Preparatory Committee.



Sir George Yee, Chairman of the Executive Council. Has been a top adviser to both Hong Kong colonial government and Chinese government. Member of main Beijing-appointed committee overseeing handover.



Henry Tang, Managing Director of Peninsula Hotels. Chairman of Hong Kong Federation of Industry. Member of Executive Council.



Leung Chun-ying, Property Surveyor. Vice-chairman of Preparatory Committee. Beijing-appointed body overseeing handover. Member of Executive Council.



Anthony Leung, Managing Director of Chase Manhattan Bank. Member of Executive Council.



Angus Chan, Head of Civil Service and Hong Kong's most popular public figure, according to opinion polls. Has reputation for integrity and defence of Hong Kong's autonomy. Has also signalled differences with incoming administration.



Donald Tsang, Financial Secretary. Staunch defender of free-market economics. Faces pressure for more interventionist policies to support manufacturing.



Joseph Yau, Head of Hong Kong Monetary Authority. Since its formation in 1993. Respected on both sides of border, he has responsibility for managing reserves, supervising banking system and defending the currency from speculation.



Larry Yung, Chairman of Citic Pacific. Hong Kong arm of Beijing's flagship investment vehicle. Has emerged as one of the most influential deal-makers in Hong Kong. Is transforming his business from holding company to more hands-on group.



Zhu Xiaohua, Chairman of China Everbright. An urban figure, he is probably the most powerful of the new Hong Kong's economic elite. Last month's move to take a 7.7 per cent stake in Hongkong Telecom marked his arrival as business force.

From Government House to the territory's Taipans, Hong Kong has always been governed by elites. That, at least, will remain unchanged with the territory's return to China.

Amid the diplomatic disputes of the handover process, there has been a much smoother exchange of business and political leaders. Long before the lowering of the British flag, a new

team has been positioning itself for post-handover power.

Mr Tung Chee-hwa, the shipping tycoon who will head the administration, has surrounded himself with advisers drawn largely from corporate circles. They are pro-business, generally pro-China and keen to sharpen Hong Kong's competitive edge. "We have been too preoccupied with politics," says Mr Henry

Tang, chairman of the Hong Kong Federation of Industries, a member of Mr Tung's advisory Executive Council, and typical of the businessmen who have risen to prominence in the incoming administration.

Mr Tang talks of the need to focus on long-term economic issues and bolster the role of industry. He supports the strong executive style of government

advocated by Mr Tung. "Now is a good time to have a fresh look at all areas of policy," he says.

Even before taking office, Mr Tung has been preparing for swift action. He has appointed task forces to examine policies for education and for housing, one of the most serious problems facing the territory.

These task forces are to be headed by Mr Anthony Leung,

managing director of Chase Manhattan in Hong Kong, and Mr Leung Chun-ying, a property surveyor with strong mainland contacts. Mr Tang, meanwhile, is examining the merits of increased government support for manufacturing.

Mr Tung's brisk initiatives have won plaudits. But the style of government he favours has also raised concerns.

Most immediately, the creation of policy task forces risks undermining the top ranks of the civil service, which has traditionally been responsible for policy formulation. A broader concern is the potential for conflicts of interest arising from a business-led executive.

Mr Michael de Golyer, head of the transition project at Baptist University, is blunter. "There are

real worries that a group of insiders and those with connections will be able to carve up business," he says. "Any suggestion of impropriety could be explosive."

The new elite dismisses such concerns, pointing to the traditional role of business leaders in government policy-making.

John Ridding

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Even more important, this capability will be built upon an unmatched philosophy in the computer industry: a 100% commitment to driving towards open standards by accelerating the adoption of Windows NT® in the enterprise.

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Tandem NonStop Himalaya technologies – ServerNet® and NonStop software – currently are available as open standard products in the NT domain. The combination of Tandem and Compaq will accelerate the movement to open systems in the enterprise.

If the combination is completed, Tandem will continue to operate as an autonomous operation, and we will fully leverage each other's skills. Meanwhile, the customers, employees, and business partners of each company can rest assured that we remain committed to the technologies, solutions, channels and people that have driven our success.

So, if you want to know where the future of enterprise computing is going, look to where the leader of the PC revolution is taking it.

COMPAQ**TANDEM.**

Decision to quit UN body reversed

"The company expects you to cross the picket line," said BA.

Since 1993 Unido has shed a layer of senior management, reduced staff levels by more than 40 per cent and cut spending by a quarter.

Fans throng to rain-hit tennis

Vodafone and Cellnet claim their networks cover more than 96 per cent of the UK population. Orange expects to reach that level by the end of this year. One-2-One covers 85 per cent.

Tax incentives for investment expected

have recourse to one in November of this year. Treasury officials are expected to warn, however, that this should not signal an immediate return to the era of swinge budgets.



DIVIDEND & INTEREST PAYMENTS

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Malware 2.2p
Network Technology 0.5p
 Plantation & Gen Inc 95% Cn PI 4.7p
 4.7p
 South African Breweries 0.31p
 Smith & Nephew 3.71p
 South African Breweries 92.22
 Total Estates 104% 1st Mtg Dn 2011/
 10 15.12s

■ THURSDAY JULY 3

Anglo 0.35p
 Africa 31% Cn PI 2008/13 4.825p
 Anglo 0.35p
 Bounce End Promoted 0.65p
 Brent Int 8% Cn PI 4.5p
 British Petroleum Inc 94% Cn PI 4.65p
 CCG Propose 1.7p
 DCC IR4-09s
 E.ON Energy 1.8p
 European Leisure 1p
 Fine Art Dns 12.8p
 Formative 0.7p
 Gannett Media 1.5p
 Parity 2.8p
 P & K 114% Bn PD 2014 5110.0p
 P&S 2008/13 2009 536.0p
 Premier Int 50.09
 Quadramatic 4.1p
 Southwestern American Co 1.33p
 Shogrey 0.12p
 Temple Bar Int Trst 4.2% Cn PI 2.1p

■ FRIDAY JULY 4

APR 4.55p
 African Cn Bank 111% Ltn 2010 52.9825
 African Fisher 1.85p
 Anglo Metals 1.45p
 Blue Circle Inds 94% Ltn 52.125
 Brookline Intl 1.5p
 Cn UK 0.4p
 Edrington Int 7.5p
 Energy Grp 8.7p
 B&B Furniture 2.1p
 Hecol 1.25p
 Highcroft Int Trst 3.85p
 Housing Fin 84% Dn 2025 54.125
 Instam 3p
 Jucos (Int) 1.25p
 Jos Hedges 3.15p
 Kingstinger 14p
 Messip 2.85p
 M & G Recovery Int Trst Guaranteed Units 1.5p
 M&G Dn Package Units 1.8p
 Pacific 0.35p
 RIM 2.3p
 Redmond 2p
 Suez Energy 1p
 Suzlon India 3p
 United Inds 1.85p
 United News & Media 15.5p

■ SATURDAY JULY 5

Annulities 21% 52.825
 Annulities 24% 52.6575
 B&B Furniture 21% 52.625
 Metropolitan Water Services Res
 Cretorian 3% 5nd Dn 71.50
 Suez 84% Ltn 2027/31 82.125
 Suez 84% Dn 2011/21 114% Cn PI 1908/2009 5.75p

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Boustead, 15-16, Brook's News, W., 8.00
Garrington Television, Television
Group, Cullen's Club, Aberdeen, 12.00
J&S Sports, Winghampton County, W., 11.30
Popeye, 5, Stratton Street, W., 12.00
Securities Ltd of Scotland, Spire
House, 23, Castle Terrace, Edinburgh, 2.00
Ugland Int., The Baltic Exchange, 35, Abchurch Lane, E.C. 4, 10.00
Winn Group, The Severy Hotel, The Strand, W.C., 12.00

BOARD MEETINGS:
Profile:
Applied Helicopters, Bells Press
Group, Burswick, Colchester Group,
Compo, Nipkow Satellite Insurance,
Nipkow, Radioactive, Radioactive
Technology, Scientific & Neovastate,
Tops Estates

Interests:
Associated Associations, Bells, Electric
TV, Interscope Group, Interscope

[illegible][illegible]

**Pratt Hall, Student Services
Building**
Wedge

**■ FRIDAY JULY 14
COMPANY MEETINGS:**
**British Smaller Cos VCT, Westbury
House, 11.30, Weymouth, W. 11.30**
12.00, 26, Finbury Square, E.C.2

**■ Personal Assets Ltd, One Charlotte
Square, Edinburgh, 12.30**
**Smith (Edwards) Estates, Clevedon
Road, 12.30, Reading, R. 11.00, W. 11.30**
West Sussex, 11.30
**Tamworth, 20, Furnell Street, E.C.,
10.00**
W. 10.00
**Wentworth Thornycroft, Victoria Road,
Woolston, Southampton, 12.00**
**Yates Brothers Wills Lodge, Park
Road, Hove, Brighton, 12.00**
Yates, Hove, Brighton, 12.00

**Company meetings are almost general
arrangements - otherwise stated.**
**Please note: Reports and accounts are
not normally available until
approximately six weeks after the
company meeting to approve the
preliminary results.**
**This list is not necessarily
complete and is subject to change.**

هكذا من الأهل

strikers
Decision
to quit
UN but
reverse



expected

A secessionist state of mind

DATELINE

Milan: The simplistic appeal of the Northern League disregards Italy's history of diversity, writes Paul Betts

The big, red-faced driver was a bit late. The traffic as usual was terrible around the railway station of Mestre, the ugly and smelly industrial sprawl on the doorstep of Venice. The motorway was blocked with lorries from eastern Europe heading across Italy to France and Spain, the driver explained.

But if the congestion was not Rome's fault, virtually everything else was. For the entire half-hour journey to Treviso, a wealthy city famous for its textiles and clothing industry (it is the home of Benetton), he did not stop his tirade against the iniquitous south and the uselessness of Roman politicians.

"We are now one of the richest regions in the country. But we were pretty poor 20 years or so ago. We worked and we continue to work."

"These guys who come from the south don't want to work. All they seek are jobs in the public administration and that's why we

are so fed up," he said, weaving between a bus and a van.

It was the same litanies in Treviso. A jovial waiter stood at the breakfast table and delivered an impromptu course in political science.

"You can understand those guys who seized the bell tower in St Mark's square in Venice the other month and all those local businessmen considering moving to Austria," he said.

The attack on the campanile by the Venetian Serenissima Republic separatist movement, the recent unofficial secessionist referendum organised by Umberto Bossi and his Northern League, anxious appeals for unity by mainstream politicians, motorway graffiti demanding independence for the ill-defined northern state of Padania - all have

brought to the fore the raging debate over Italy's north-south divide. Bossi's daily, *La Padania*, whose circulation since its launch at the beginning of this

year has averaged 45,000 copies a day in a country already flooded with newspapers, recently published a catalogue of what it described as fundamental behavioural, linguistic, ethnic and religious differences between northerners and southerners.

Southerners' accents, and their theatrical and metaphorical way of speaking, were incomprehensible to northern ears. Attitudes to sex and virginity were dissimilar. Religion in the south was a folkloric event. And of course the south lacked the north's work ethic. All this, so the Northern League theorists argued, explained the north's "secular allergy" to the south.

There is no question that Bossi and his supporters have hit a nerve. Many ordinary Italians, and not only in the north, have

given up on politics; most are fed up with paying taxes, dealing with the country's bureaucracy and coping with dismal public services.

But it is one thing to launch a populist revolt and another to advocate a geographical split. Italy's history argues strongly against such a move.

For whatever the northern secessionists may say, there are no simple linguistic, cultural and ethnic divisions. Italy may have been united only 127 years, but it remains a racial and cultural amalgam whose diversity creates a whole of sorts.

The Byzantines, the Arabs, the Normans and the French came to Sicily before the Spanish Bourbons ran the Kingdom of the Two Sicilies. Northerners conveniently forget that Naples, not

Milan, was the cradle of the Italian Enlightenment.

A great chunk of the country comprised the Papal states, while the Dukes of Tuscany ran in contrast a secular nation. Piedmont was, and still is, closer to France; after the barbarians, the Longobards came to Lombardy, then the French, the Spanish and later the Hapsburgs; the Alto Adige openly considers itself more Austrian than Italian.

If you had to split Italy again, you would end up not with two but probably 20 different states. The common language of Padania would include at least two dozen dialects. No one has yet proposed teaching Padanian in schools - although the comedian Dario Fo tried with a play, *Mistero Buffo* (Funny Mystery), written in an imaginary

old Padanian language. Bossi has adopted Braveheart, the Scottish warrior who fought the English, as one of the Northern League's heroes. He has also adopted an ancient Celtic symbol to adorn the League's flag. The star-shaped figure has been lyrically named "Sole delle Alpi" - the sun of the Alps. In Treviso the other day they said league members in the Veneto region wanted to paint the symbol on Italian F16 fighters at a local air force base.

But the Milan daily *Corriere della Sera* subsequently ran a story showing that the same symbol had also been used by the ancient Greeks to adorn their shields, by the Etruscans, and by warriors in the southern region of Foggia in the seventh century BC. In short, it concluded, the league had chosen a southern symbol to put on its banner. "More southern propaganda," retorted the waiter in Treviso's Piazza del Signor.

The Monday Profile: Wim Duisenberg

Emu's steadfast advocate

Wim Duisenberg once said when joining the board of a Dutch bank: "Money is my profession." But as he contemplates his new job as head of the European Monetary Institute - forerunner of the planned European central bank - he might be glad he also has some experience of the rougher world of politics.

Duisenberg, 62 next month, takes over as president of the EMI tomorrow with European economic and monetary union only 18 months away from its scheduled starting date of January, 1999.

But the nearer Emu approaches, the more controversy it produces. Both the left-wing victory in the French election and the Bonn government's ill-considered attempt to revalue Germany's gold reserves to help it qualify for Emu have shown that the path to the euro is still strewn with obstacles. So scepticism among the German public remains high.

Alexandre Lamfalussy, the Belgian banker whom Duisenberg succeeds as EMI head, has already said the road to Emu would be bumpy. Lamfalussy, bowing out at the age of 67, has done much to promote the idea of the single currency, in his public statements and his work at the EMI. From his office high in the Eurotower in the centre of Frankfurt, he has worked energetically to ensure the central banking framework will be in place when the European Central Bank starts, and to try and persuade people the project is worthwhile.

Duisenberg, known in the Netherlands for his adherence to strict monetary policies aimed at low inflation and a strong guilder, could well be the first head of the independent ECB. He has made clear he is a candidate - the prospect of handing over to someone else after only 18 months at the EMI is hardly appealing - and has Germany's strong backing.

Lamfalussy also endorses Duisenberg as the first president of the ECB, a historically challeng-



ing position which would make its holder one of the world's pre-eminent monetary officials.

"He is a good candidate for the ECB," says Lamfalussy. Asked whether he is likely to get the job - in spite of mutterings of dissent from some French politicians - he replies, "I hope so."

The head of the Bank of England, Eddie George, agrees. He has said Duisenberg would make an "absolutely first class" ECB president. Hans Tietmeyer, president of Germany's redoubtable Bundesbank also favours Duisenberg, who has headed the Dutch central bank for the past 15 years, keeping the guilder firmly linked to the D-Mark.

Much, of course, will depend on

economic consequences of disarmament - Duisenberg was a teaching assistant there for four years before joining the International Monetary Fund in Washington.

He became an adviser to the Dutch central bank, was professor of macro-economics at Amsterdam university for three years until 1973 and was then appointed finance minister at age of 38 in the Social Democratic government.

His next stop was the board of Rabobank, the co-operative banking group, where he stayed for three years before returning to the Dutch central bank as president.

As a steadfast advocate of stable monetary policies who is well known on the international financial circuit, Duisenberg's credentials for his new job are impeccable. He has long been a proponent of the single currency, believing it will stimulate growth and help instill financial discipline into governments.

Since the recent Dutch record on job creation and economic flexibility is one which politicians and bankers in Germany increasingly point to as a model, Duisenberg will be able to argue from a strong base.

He has already tried to allay fears that the euro will be weak and that interest rates, to be set by the ECB, will have to rise to combat higher inflation.

He has called the debate over a strong or weak euro "nonsense", saying the stability pact between Emu members on curbing budget deficits and international competition would keep prices down. Anything else would be anathema to the man who hopes to run the ECB.

For all his reassuring manner, though, the cigarette-smoking, golf-playing Duisenberg will not find it easy to ward off anxieties about the euro. Since an important EMI task will be to advise on which countries are ready for Emu, he will have to combine Dutch pragmatism with diplomacy and toughness. He will have his work cut out.

Andrew Fisher

FT GUIDE TO: DUTY FREE

The idea of the airport duty free shop is 50 years old?

Yes indeed - 50 years ago the first duty free shop opened at Shannon airport, in the southwest of Ireland. At a small kiosk, passengers on their way to and from North America could purchase Irish linen, French perfumes, German porcelain and a few brand name liquors.

These days everything from a side of smoked salmon to a car can be purchased at duty free. Doze off in any one of hundreds of transit lounges around the world and you might wake up thinking you had been transported to the local Sainsbury's or JC Penneys.

Why is the duty free concept now under threat within Europe?

The European Union has decided that duty free should be done away with by June 1999. But a strong campaign is being fought to overturn the EU's plans.

The original decision to scrap duty free was taken in 1991 by the unanimous vote of EU finance ministers and has already been subject to several delays. It was all part of the shift towards a single market.

What are the arguments in favour of its abolition?

Those in favour of its abolition say that, as the world acts to dismantle trade barriers and harmonise customs procedures, duty free should be given its departure cards. Sir Michael Bishop, the head of the British Midland airline, describes duty free as an anachronism.

In many airports, travellers have to fight their way through a confusing clutter of camera and toy shops, food counters and sporting goods outlets to arrive at departure gates.

"Airports are there to serve the airlines and airline passengers and are not designed to be shopping malls," says Sir Michael.

The anti-duty free brigade believe money and space which is at present set aside for duty free would be far better used to improve airport facilities.

Is anyone prepared to speak up for duty free?

Those in favour of duty free say it does no harm. The industry had a turnover within the EU of \$6.5bn (£3.9bn) last year, and employs 140,000 people. While some governments might lose purchase tax revenues through the sale of duty free goods, its defenders insist the industry is an overall contributor to trade and economic growth.

What do the big players in the duty free world say?

Take Aer Rianta, an Irish government-owned company which is one of the three biggest operators of duty free shops around the world. Besides running duty free at Ireland's main airports, its outlets include Birmingham, the Channel



Tunnel, Moscow, Bahrain and Beijing.

Last month Aer Rianta won the contract to run 12 liquor and tobacco outlets in what will be the world's biggest passenger terminal at the new Chek Lap Kok airport in Hong Kong.

Derek Keogh, Aer Rianta's chief executive, says: "We can't believe that merely for dogmatic, ideological reasons the EU will do away with duty free. Many airlines within Europe, particularly the charter services, make more out of duty free than from carrying passengers."

"Duty free subsidies travel on a massive scale. Abolish it and fares will rise very substantially. Airport landing charges will also go up - again, that will ultimately hurt the passenger's pocket."

He adds: "The idea of an idealised EU in which all goods move freely, subject to the same duties and VAT rates, is still a long way from being realised. There is no reason why duty free cannot continue to exist in such an environment."

Who else is calling for duty free to stay?

Arguments for retaining duty free tend to be stronger in countries on the periphery of the EU. Finnish and Scandinavian airport and ferry operators say they stand to lose a great deal if duty free facilities are done away with. Greece is concerned that it could lose up to 500,000 tourists a year because charter companies would have to increase fares.

Ferry operators in the UK and Ireland have given dire warnings about the consequences of abolishing duty free. With excess capacity on many routes they say duty free sales are essential to increase passenger revenue. They warn that in some cases routes might have to close while on others fares will be pushed up.

So is it really all over for duty free?

The final decision on whether or not duty free will stay or go within the EU will be taken in the first half of next year, during the British presidency. However, like flight times, final decisions within the EU can often be subject to delay.

Kieran Cooke

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Robert Chote · Economics Notebook

The reality of money illusion

People's attitudes may be irrational, but not necessarily ignorant

When the Gregorian calendar was adopted in England in 1752, the switch meant that September 14 fell immediately after September 2 that year. "Much discontent was provoked among uneducated people who imagined that they were being defrauded of the omitted days," according to one account. Mobs rioted with cries of "Give us back our 11 days".

This confusion arose because people found it easier to think in the "nominal" terms they were used to - in which one day of the month follows another in numerical order - rather than recognising the underlying reality of what "days" measure, namely the passage of time.

To react like this may seem ridiculous with hindsight, but confusion between nominal and real values persists today. "Money illusion" is one example which has long concerned economists. People react to changes in the cash value of incomes or the prices of particular goods without taking full account of changes in the average level of prices that affect how much each "dollar" or "pound" is worth.

Accepting the existence of money illusion is frowned upon by theoretical economists when trying to explain economic behaviour. It runs counter to the basic assumption that lies at the heart of economic theory: that people are rational beings who cannot be fooled all of the time.

But money illusion nonetheless persists in the real world. Inflation has been present in most industrialised countries for much of this century. Rational

economic agents entering contracts to sell goods for cash might therefore be expected to "index" them in order to take account of changes in the purchasing power of money over the duration of the agreement. But they do so relatively rarely.

A study published in the latest *Quarterly Journal of Economics* tried to probe the psychology of money illusion by asking hypothetical questions of passers-by at Newark International Airport and two shopping malls in New Jersey. It has interesting implications for economic policy-making when inflation is low.

The participants in the study were presented with the following scenario. Two individuals, Ann and Barbara, graduated from the same college a year apart and both took similar jobs. Ann started with a yearly salary of \$30,000. During her first year in the job there was no inflation and in her second year she received a pay rise of \$600 or 2 per cent. Barbara also started with a yearly salary of \$30,000. During her first year on the job there was 4 per cent inflation, and in her second year she got a rise of \$1,500 or 5 per cent.

One group of study participants was asked which employee would be happier as she entered her second year on the job - 64 per cent said Barbara and 36 per cent said Ann. Another group was asked which woman they thought was more likely to leave her job for one with another firm - 65 per cent went for Ann and 35 per cent for Barbara.

Both responses exhibit money illusion. The purchasing power



of Ann's salary rises by 2 per cent, while Barbara's increases by only 1 per cent - yet Ann is expected to be less happy and more likely to quit her job.

Does this mean that the good people of New Jersey are stupid? Not necessarily. A third group of study participants was asked which of Ann and Barbara was doing better in economic terms at the start of their second year - 71 per cent correctly said Ann and 29 per cent said Barbara.

This implies that while money illusion may appear irrational to an economist, it does not necessarily stem from ignorance. "It is not the case that people simply cannot distinguish between nominal and real representations," the study argues. "Rather, it appears that while an evaluation in real terms dominates when the need to think in economic terms is made salient, less trans-

parent judgments trigger evaluations that are heavily biased by a nominal representation."

The authors argue that money illusion "arises in large part because it is considerably easier and more natural to think in nominal than real terms. [But] the attribution of happiness incorporates money illusion even when an analysis in terms of real value is easily accessible".

This has two implications. First, money illusion is likely to persist in spite of attempts by economists to educate the public into what they regard as more rational behaviour. Second, and more importantly, "because money illusion reflects reactions to nominal price and wage cuts per se, the effects of money illusion are likely to extend to non-inflationary settings".

The market economy often demands that the real wages paid to some workers have to fall, reflecting changes in the supply of and demand for particular types of labour. The idea that employees in this situation would rather let their pay rise by less than the rate of inflation than for it to fall in cash terms is a familiar one for which there is plenty of supporting evidence. Pay is much more likely to be frozen in cash terms than to be reduced, even by a very small amount.

The lower the rate of inflation, the larger the number of real wage reductions that will be blocked by workers' unwillingness to consider nominal pay cuts. As George Akerlof and colleagues argued in a Brookings Institution paper last year, this means that reducing inflation much below 3 per cent may produce big increases in unemployment as real wages fail to adjust. They calculate that one company in 20 would find real wage adjustments constrained with inflation at 3 per cent, rising to one company in five at inflation of 1 per cent.

Central bankers argue that the pursuit of low rates of inflation need not carry a heavy cost in terms of unemployment, because resistance to nominal wage cuts will eventually disappear. But the QJE study suggests they may be over-optimistic, as it implies that the side-effects of money illusion might well survive the death of inflation.

Shafir E, Diamond P & Tversky A, "Money Illusion", *Quarterly Journal of Economics*, 1997.

MANAGEMENT

Why can't the United Nations be more like a business?

According to its many critics, the UN is a bureaucratic monster. Its chief paymaster, the US, is withholding money until it meets its ways.

The cumbersome title of the chief bureaucrat seems to say it all: under-secretary-general for administration and management. The post has traditionally been held by diplomats and politicians. But the present holder, Joseph Connor, is a businessman: the former head of the accounting firm Price Waterhouse.

After three years in the job, Connor can show solid gains in efficiency. But as his conversation makes clear, to think of the UN in purely managerial terms is to miss the point. It is fundamentally not a business and probably never could be.

The visitor to the UN building in New York is liable to grasp this at the front door. My arrival to see Connor coincided with a rush of schoolchildren and tourists. It took me half an hour to get through security, and I was late for my appointment.

If you are calling on the finance director of General Motors, you do not queue up behind GM's customers. But those visitors were more like shareholders. The countries from which they came pay the UN's bills and dictate its actions. The UN is there to serve them.

The UN's finances would make a corporate executive blush. It runs at an operating loss equal to almost 10 per cent of turnover. It has no capital or reserves left, and is not allowed to borrow. It funds itself by the simple expedient of not paying its bills.

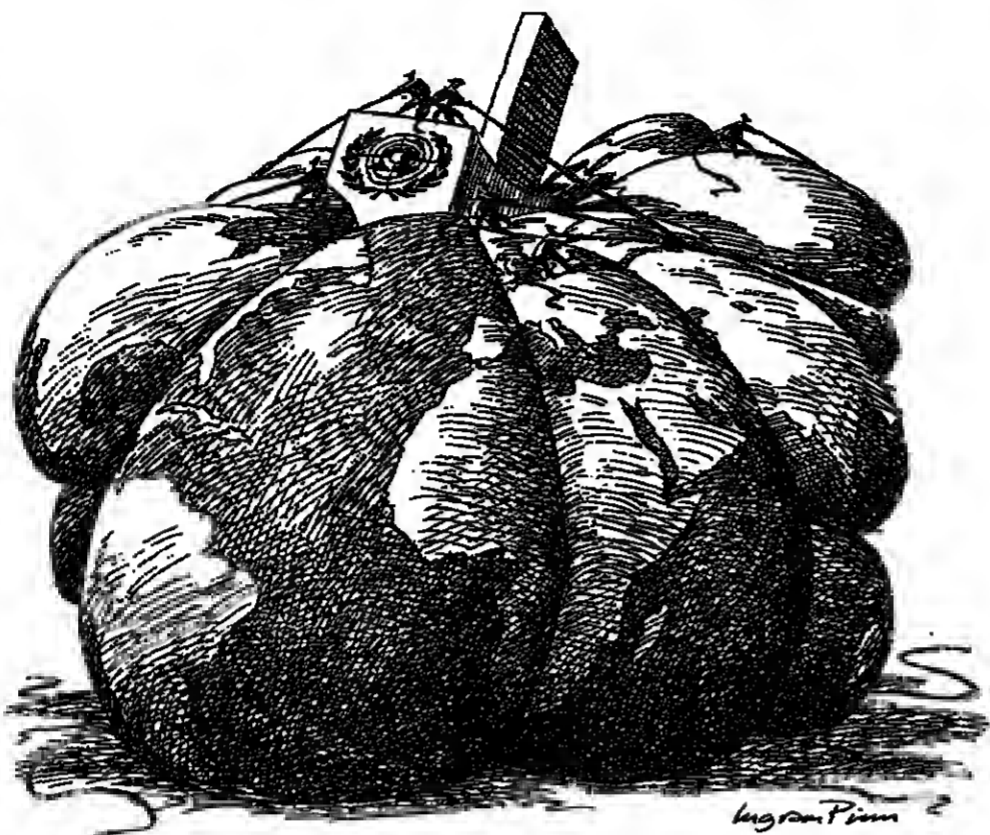
Its main asset is \$2.6bn (£1.6bn) of unpaid contributions from its member states. The chief culprit is the US, with \$1.6bn outstanding. Then come countries which are broke rather than recalcitrant, led by the Russian Federation and the Ukraine, with \$200m apiece.

What would Connor do if that \$2.6bn were paid tomorrow? First, he says, he would pay the bill for troops supplied to the UN's peacekeeping operations, totalling \$1bn. Then he would pay \$400m to trade creditors, the same again to member states for years in which the budget was underspent, and the same again to restore the UN's reserves. The balance he would keep for contingencies.

Falling that, he has made econ-

Improving efficiency at the United Nations is a never-ending struggle, finds Tony Jackson

Battle of the bulge



omies. Until his arrival, the running cost of the secretariat - now at \$1.3bn a year - was rising significantly. Since then it has been constant, and is due to fall in 1998-99. This has been achieved by cutting real resources: people, meetings, documents and trips. A year ago, the staff total was 10,000. It is now under 9,000.

But bear in mind, Connor says, that member states largely determine how money is spent. If they call for a report 300 pages thick, there is that much less cash for development. Having paid the piper, they call the tune.

The same applies to the UN's portfolio of activities. Connor defines these as five in number: peace and security, humanitarian affairs, setting economic and social norms, development and human rights.

The chief executive of a loss-making corporation, faced with such a list, would immediately ask which businesses to shut down. The UN does not have that option.

From a broader managerial viewpoint, Connor says, there are three main things wrong with the UN. First, the executive

structure is weak. His boss, the secretary-general, has direct authority over the secretariat, but none over the various agencies such as the International Labour Organisation or the World Bank.

Second, the funds and programmes of those agencies should be brought together and rationalised. At present there is overlap, both in the programmes and the way they are delivered.

Third, the whole process by which the secretary-general communicates with the member states needs reform. He should

report to a few institutions, instead of a host of sub-committees of sub-committees, as at present.

In reality, none of that is likely to happen. It would doubtless be seen as a power play by the secretariat. More important, the whole structure of the UN, as set up in 1947, is designed to ensure that no-one is in charge.

Meanwhile, Connor does what he can. He has reformed the UN's performance appraisal system, which used to rate 90 per cent of personnel at five on a scale of one to five - that is, outstanding. Now, just over half rate a three. Those rated one or two can be got rid of, and those rating four and five brought forward.

He has also introduced formal management training for the first time. At present, the average age is 48, with a retirement age of 60. Many people stay in the same job 20 years. What the UN must do, Connor says, is break the old rigidities and bring in some real career planning for younger employees.

What about benchmarking? The UN does it all the time, Connor says. But it compares itself to the public sector around the world rather than corporations. Thus, it looks to Australia and Singapore for its financial systems, and to Canada for human-resources management. The UK is the model for outsourcing and the use of executive agencies. Its chief critic, America, apparently has little to offer.

More generally, Connor says, an organisation like the UN - or like any government - finds it hard to assess its results. In a business, the planning cycle has three phases: set the strategic objectives, allocate resources and measure the outcome. The UN has the first two in place. It is struggling with the third.

This is partly because its system of performance measurement rests on the number of reports and meetings, rather than on what they accomplish. Member states, Connor says, are far more strict in controlling inputs than outputs.

Always, it seems, the member states are the stumbling block. It is as if the shareholders of a corporation used the annual meeting to set next year's budget and business strategy.

This, finally, is Connor's implicit response to the UN's critics. He and his organisation will deliver on the things they control. For the rest, America has picked the wrong target.

The sales pitch seems to be going well and then, out of the blue, you say something to upset the client. What do you do? Break simultaneously into a sweat and a gallop - if only you can finish your sentence, the client will be persuaded by your unanswerably logical case.

Absolutely the wrong tactics, according to Tom Lambert, author of *High Income Consulting* (Nicholas Brealey Publishing), a newly revised handbook for executives setting up in the consulting business. "Using logic to deal with emotions does not work," he says. Instead, "when things start to go off the rails, think Sarah".

Stop talking. Give your listener the opportunity to express their feelings. No matter how

Sarah to the rescue

Diane Summers on tactics to humour clients

painful the silence seems, there is nothing you can usefully say. Within seconds your listener will break the silence.

● Adopt active listening. Listen as if your life depended on understanding how the client feels and what they think. Make no attempts to second-guess, always accept what is said as if it were true. When you are sure they have said all they are going to say for the moment -

● Reflect content or feeling. Paraphrase a key statement your client has made to demonstrate

that you really have been listening. "Say it mustn't be to show that you are carefully considering what is being said and not doing parrot-like imitations."

● Act with empathy. But take care that you never express sympathy ("You are absolutely right to feel as you do") when you intend to convey empathy ("You have an absolute right to feel as you do"). Empathy allows you to accept the reasonableness of others' feelings and still correct their understanding.

● Handle objections. When your

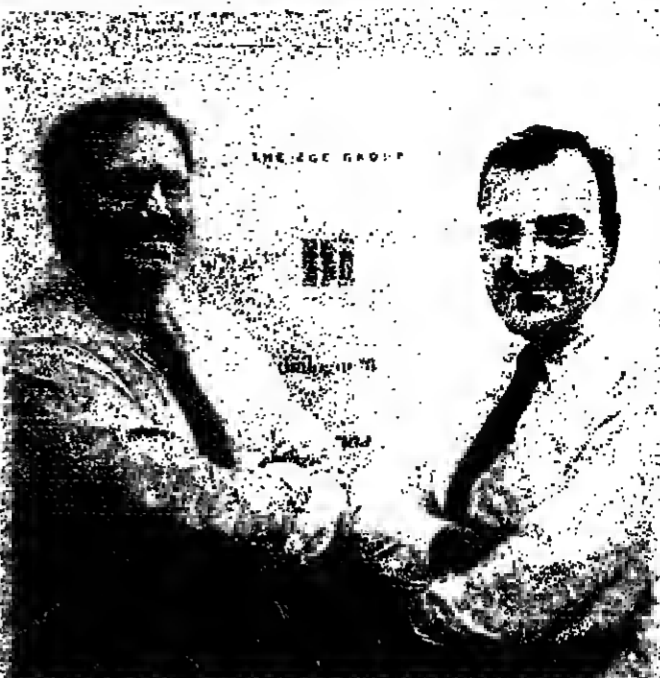
calm, sensitive handling of the situation has made it easy for your client to listen to reason again, deal with any objections raised. As far as the objections themselves are concerned, Lambert suggests that the three most common relate to price, habit and competition. On price,

"something appears to cost too much when it seems to offer insufficient benefit for the price to be paid in money or effort". The task is to convince the listener that you will be able to deliver many extra benefits that

add up to exceptional value. Habit - "we've always done it this way, and it works" is not an invitation for you to focus on why the old way is stupid and your idea is infinitely better. The trick is to point out how changes in the environment will cause problems for your client in the future unless action is taken now.

Finally, "we have always been happy with Ernest & Elderly" is asking you to expand on what is unique about your offer. But beware, says Lambert, that you stick to what you will do, not how you will do it.

"If your potential client has a pal at E&E, you may find that they will soon be offering your clients what was once your unique service."



PARTNERS ZGC

John Connor is a real barrier. A businessman with years of experience, he is not easily swayed. They love him because he is so direct, so honest, so forthright. I get less involved. The

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The golden age of succinct and elegant phrasing

The folly of downsizing. The importance of stakeholders. The need for people to stretch beyond their job descriptions. The inevitability of change. These are the management ideas of the moment. Or are they? Not a bit of it: they have been around for decades.

I have just read *The Folklore of Management*, which was first published in 1959 and has been reprinted. Its title sounds like a soppy modern management book, but once inside you are in a golden age of commonsense, in which ideas are expressed briefly and without jargon. The author, Clarence B. Randall, explains why savage cost-cutting is such a bad idea. He tells us that customers and workers are important and urges companies to spend less time flapping over their balance sheets and more time thinking about their workers.

Occasionally there is a clue that this book was not written yesterday: there is section on the Communist threat, where he writes: "I wish we could occasionally laugh about Communism instead of always getting so lathered up over it." Equally, there are a couple of ideas that you would never find in any modern management book. He rails against the popularity of management committees - which we now call teams. These committees might have some role, he says, but in the end most decisions must be taken by one man. In this he is quite right, but in the 1980s we are not allowed to say so.

The Folklore of Management may not provide us with any new insights, but it proves one thing. Since 1959 the volume of writing on management themes has moved one way. The quality has moved in the opposite direction.



Lucy Kellaway

satisfy its customers. A few years ago the stakes were raised and satisfaction was deemed not to be enough: businesses had to delight their customers. This struck me as over the top. As a consumer, my two favourite companies are First Direct and Waitrose, both of which provide a reliable, polite service. But if I had to describe my state of mind when loading the detergent into the trolley, or asking for my bank balance, delight would not come into it.

But now I read that delight is old hat. The relationship to aspire to with your customers is intimacy.

According to management consul-

tant CSC Index, "customer intimacy" is the thing for companies of the late 1990s. In its magazine *Insights*, it states that the three key things a company must do to "embrace customer intimacy" (the mind boggles) are tailoring, coaching and partnering. More obscure still is a passage claiming that "customer-intimate companies know consumers don't buy products or services; they buy benefits".

Goodness knows what all this means. Mercifully there is no need to work it out, because the conclusion of the piece is something comprehensible to all of us: "The core of customer intimacy lies in a simple - but radical commitment: to deliver results." In that case, I know what the consultant is talking about, and it is not in the least radical. He is talking about satisfaction. I'm sure there is nothing in this that Clarence B. Randall would have disagreed with. He just might have put it more elegantly and rather more succinctly.

The other day the woman standing next to me in a crowded, delayed train lifted her bag to put it on the rack, and accidentally bumped another woman's head as she did so. "I'm so sorry," said the first. "Watch what you're bloody doing," said the second. "There's no need to swear," the first replied. "There was no need to hit me over the head."

"I've already said sorry. I don't see why you have to be so rude." Before long these two women - both professionals in suits were shouting: "Calm down!" "No, you calm down!" at each other, while the rest of the carriage looked on impassively. This is train rage. Both of the women may be perfectly reasonable beings when they are not commuting (though I fear for the effect this scene may have had on their colleagues the rest of that day).

Companies spend an increasing amount of time fretting about the stress levels of their employees. However, they forget that getting to work is often more stressful than the work itself. Instead of setting up aromatherapy sessions, they might do better to spend their money on company buses that would ferry us to and from the office. Then we could use the commuting time having a meeting with colleagues - or at least getting our gossiping done before we reach the office.



In the old days a company aimed to



Lion city seizes its chance

James Kynge on Singapore's efforts to woo media networks from Hong Kong

Singapore is not an obvious magnet for the world's media. Foreign newspapers and magazines sold there have frequently fallen out of official favour: some have had limits placed on their circulation and others have had to pay hefty legal damages.

The pressure on local and foreign journalists to comply with the government viewpoint is unending, and those reporters who cross certain boundaries risk the cold shoulder or an unpleasant dressing down.

Yet Singapore is now trying to take over from Hong Kong as Asia's media hub. One of the main reasons for this is Hong Kong's return to China.

"You can criticise Singapore for limiting press freedoms but you have to admit that at least the rules here are consistent and transparent," says one executive with a foreign media company.

"Hong Kong after July 1 is opaque, an unknown quantity. There is an inherent risk that things will rapidly get worse for the media there," added the executive.

Ominous statements emanating from Beijing have done nothing to allay the disquiet. The 1989 crackdown on pro-democracy demonstrations in China was accompanied by warnings that Hong Kong must not become a base for subversion of

the mainland's communist system. More recently, Qian Qichen, China's foreign minister, was reported as saying that the Hong Kong media should not propagate "rumours or lies" or make personal attacks on Chinese leaders.

Singapore, as ever, was not slow to spot an opportunity. It dispatched officials on delicate assignments to woo the foreign media in Hong Kong - but to do so without disparaging the British colony, annoying China or undermining confidence in the territory at such a critical time.

They offered financial incentives, stressed the city-state's excellent communications and transport infrastructure and gave guarantees that intrusions into editorial freedoms would be kept to a minimum.

"We try to provide a conducive operating environment for broadcasters, an important part of which is a clear and transparent regulatory framework," says George Yeo, minister of information and the arts.

"We must always remain pro-business. Whatever censorship is necessary must be carried out sensitively and selectively, and with a light touch."

The initiative has made headway, especially in attracting the broadcast media. Last year the media and

communications media recorded business spending of \$840m, 51 per cent up on the year earlier.

The success has come despite competition from Taiwan, the Philippines and Thailand.

ESPN Asia, a subsidiary of the Walt Disney Company of the US, moved its regional headquarters from Hong Kong to Singapore early last year.

Ster TV, a subsidiary of Hong Kong-based News Corp and the largest free-to-air satellite television network in Asia with a reach of 22m people, is to move some of its operations soon.

Reuters, the UK-based news agency, is in the process of moving its Asia editing desk from Hong Kong to the Lion city, though the company denies that this has anything to do with the handover.

JET TV, which is backed mainly by Sumitomo Corp, became the first Japanese broadcaster to move to Singapore when it established an office in May.

Colin Binny, president of UTV International, a broadcast company owned partly by Rupert Murdoch and partly by Piusas Warburg, a US investment bank, says his company has been given a seven-year tax holiday as an incentive to locate in Singa-

pore. The one-stop regulatory body, the Singapore Broadcasting Authority provided work permits in 48 hours for visiting production staff.

The quick production turnaround, time and ease of communications from Singapore meant that UTV has recently shifted the production of Air India's in-flight videos from India to Singapore.

What effect will this influx have on the people of this puritanical island where less than a decade ago satellite dishes were forbidden and where access to some "undesirable" internet sites is still barred? The answer appears to be that it may have less effect than many think.

Most broadcasters and other media companies use Singapore merely as an operations base and do not beam programmes to audiences on the island. That state of affairs appears to suit the local regulators.

For their part, many of the broadcasters have promised the SBA that they will exercise sensitivity in choosing what to broadcast to other countries of the region.

"It is critical that we observe Asian sensibilities in doing our stories. Local sensibilities are being factored in," says Sidhartha Batia, editor at UTV, which delivers a once-weekly news programme to the region.

Stephen McGookin • Website of the Week

Futurologist looks back



Arthur C. Clarke has been called many things in the half-century, usually involving such epithets as "genius" or "visionary". It seems natural, therefore, that Clarke is about to reach into the lives of the global audience through the internet.

It is hardly an exaggeration to say that the science fiction writer, environmental advocate and futurologist will be remembered by his admirers as one of the most influential thinkers of the 20th century.

Now in his 80th year, Clarke's latest book, *3001 - The Final Odyssey* is as thought-provoking as his 1948 story *The Sentinel*, the forerunner to his classic 2001 - *A Space Odyssey*.

His prediction in 1945 that a system of three geostationary satellites in the right orbit could provide a global communications system has been strikingly realised.

The Arthur C. Clarke Foundation, established two years ago by the scientist's brother to ensure that his archive material was preserved, has set up a web site - www.acclarke.co.uk - dedicated to the topics that have driven Clarke's work.

As well as a detailed history of his life, visitors to the site will be able to track scientific developments in four areas: Communications, Futures, Space and the Oceans.

The communications category, which has been sponsored by Cable & Wireless for £50,000 - one of the UK's largest Web sponsorship arrangements - is the result of a year-long research effort and traces the history of communications from 1793 to the present day.

The site has been conceived by London-based designers CoquelPlus and editorial director John May calls it "an organic encyclopedia", with 40,000 words and 200 images.

Clarke himself says the site is "both a metaphor and a symbol of the unfolding digital revolution".

He adds: "For the first time we can begin to see the tangled web of influences, technologies and ideas that have now converged to create a global communications network in time for the new millennium."

Having lived in Sri Lanka since 1957, Clarke is particularly aware of the impact

that the new communications technologies are having on the developing world, a subject on which he is due to address the leaders of Association of South East Asian Nations in December.

"When the printing press was invented, people said: 'What's the use of printing when only a few people can read?'"

Now, he says, the explosion of information exchange and internet activity will continue as communications become cheaper.

"There is nothing we can't do now that we want to. The restraints are entirely economic and political."

While he acknowledges that the internet in its current form can be frustrating and time-consuming when users are searching for specific material, he says: "Overall, our awareness of ourselves as a species will be enhanced by this technological evolution from stone, ink and paper to satellites, television, telephones and computers."

DIRECT MARKETING

Ogilvy's one-stop shop

Ogilvy & Mather Direct, the direct marketing network, is reorganising its business to bring its database, tele-services and loyalty consultancies back into the main operation which is to be renamed OgilvyOne Worldwide.

The change, to take effect from tomorrow, will mean business's 1,500 staff in more than 80 offices adopting a common approach to clients. A unified information system will be introduced in the most important offices

by the end of the year. At the same time, the network has been increasing the proportion of senior consultants it employs, to try to ensure that it can deal effectively with clients at board level.

Nigel Howlett, chairman of O&M Direct in London, says that the pressure for change has been building up over the past six years, but that the company realised the need to bring together the services offered by these O&M businesses only within the last 12 to 18 months.

"We have to be customer-centric, and make the range of what we can offer more accessible to clients," he says. "We also want to bring together the different revenue agendas of the different businesses."

Rory Sutherland, creative director of O&M Direct in London, argues that "you can't be a small 'hot shop' in direct marketing as you can in general advertising, because clients are increasingly needing a full complement of services".

The services offered by

OgilvyOne are intended to cover the full range of communications needs, including the information technology or call centre expertise.

However, the change in the organisation will mean that what were previously separate consultancies are more restricted in how much time they can devote to seeking new business on their own accounts.

Clients of O&M Direct include American Express, Cellnet, IBM and Disneyland Paris.

Alison Smith

Tim Jackson • On the Web

Curtains for cut and paste



Trung Dung, a 38-year-old software engineer in Boston, Mass., had a problem. His local Buddhist temple wanted to send a mailshot to the 3,000-odd Vietnamese families in the area, and asked him in June 1995 to put his computing expertise to work in generating some address labels.

Since 90 per cent of Vietnamese share the same 10 family names, Dung realised he could find the raw data by pulling the addresses of all the people in the Boston area and matching those names from one of the free directory services on the World Wide Web. But downloading the names and addresses 10 at a time, and then cutting and pasting them into a database, was a laborious process.

Surely, thought Dung, there must be a better way to retrieve information from the Web than this.

Promoters of the internet are fond of describing the World Wide Web as a giant database - the world's single biggest source of knowledge. But Dung was right: there's a flaw in this comparison.

For the Web to become a database in the useful sense, cut-and-paste would become a thing of the past. Instead, you would specify a cross-reference in a spread-

sheet or database that identifies the place on the Web where a piece of information is to be found.

The application would download the data automatically, displaying up-to-date information every time someone looks at it. This may sound like science fiction. In fact, it's now a commercial product, available from OnDisplay, a company in San Ramon, California, that boasts Trung Dung as its chief technology officer.

Between 1995 and 1996, Dung created a tool called PageAgent, which analyses web pages and extracts information from them. Staffed with an experienced team of professional managers and funded by venture capitalists, OnDisplay has incorporated this tool into a product called CenterStage, which seamlessly integrates the Web into desktop software applications.

The company's website (www.ondisplay.com) suggests several interesting uses. Equity analysts who normally spend an hour each morning downloading data which they then reform into research notes for clients can now find the information already in their spreadsheets when they arrive in the office.

OnDisplay has already attracted some blue-chip clients. It says a leading computerised reservation system is to use CenterStage to

automate the updating of tariffs and service details from thousands of airlines and hotel operators.

In future, the teleshoppers people who interrupt Americans dinners to sell phone services could now have a one-page summary of the client's usage habits to work from, drawn from half a dozen different mainstream databases into the window of a standard internet browser.

"We're a start-up," explains Lloyd Brogan, OnDisplay's vice president of business development. "Who's going to take a chance on us? Not \$100m companies that have to watch what they spend on coffee."

"It's really big companies that see computers as a way to win a competitive advantage. Doing a pilot or proof of concept using our system costs between \$50,000 and \$100,000. In these sorts of companies, any mid-level manager has a budget to cover that."

But OnDisplay is not alone. Another company, WebMethods of Fairfax, Virginia, has built a similar set of tools that do almost the same thing, but using the Java programming language.

WebMethods' website (www.webmethods.com) includes an amusing demo of a service called TrackIt, which allows you to check the progress of a parcel delivery by any one of three

companies - FedEx, UPS or DHL - from a single web page.

Netscape has proposed to the World Wide Web Consortium a set of standards that would allow site owners to indicate what the information on their pages consists of, and so make it easier for computers to retrieve it.

Brogan believes this will expand the market for his OnDisplay's services - but it also raises the risk of encouraging giants like Microsoft to trample their way in.

I would have expected that tools for pulling information from all over the Web into a single place would tilt the balance back from publishers towards readers. But the most enthusiastic early adopters of the OnDisplay and WebMethods technologies seem to be packagers of information, or big organisations with gigantic quantities of information in their back offices which they would like to put to use in front-end marketing.

It's too early to make firm predictions. But OnDisplay and its competitors have at least a chance to revolutionise the way we use the Web - and to make the internet into a database that is truly useful. And all thanks to a Buddhist temple in Boston, and its mailshot to the local Vietnamese community.

tim.jackson@pobox.com

FTid - The Internet Directory

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ARTS

OPENINGS



LONDON
The National Gallery's Seurat exhibition is the first to place his great painting 'Bathers at Asnières' (above) in the context of his early development.

Opening on Wednesday and sponsored by Pearson, publisher of the FT, it brings together all the studies and drawings he made in preparation for the painting, and

includes work by predecessors and contemporaries, such as Monet and Van Gogh.
The Royal Academy of Arts on Thursday marks the bicentenary of the birth of Japanese woodcut artist Hiroshige with an exhibition of more than 140 works.

Skyline by David Hare and directed by Richard Eyre, was a 1985 National Theatre success which in 1995 transferred to the West End. Tonight it returns to the National Theatre with a new cast: Bill Nighy and Stella Gonet.

Allison Steadman joins the Peter Hall Repertory Company at the Old Vic this week, opening on Friday in Lindsay Posner's new production of John Vanbrugh's *The Provok'd Wife*, alongside Michael Pennington and Victoria Hamilton.



TANGLEWOOD
Thursday is opening night at the Boston Symphony Orchestra's summer festival in the Massachusetts hills. Jesse Norman (above)

celebrates the 25th anniversary of her BSO debut by performing songs by Richard Strauss (in place of the originally scheduled Elgar Sea Pictures) and the closing scene from *Capriccio*. The season continues until the end of August.

CHELTHENHAM

The festival programme put together by Michael Berkeley (below) is less enterprising than previous years, but still contains much to entice the visitor. The BBC Philharmonic's opening concert on Saturday includes a new orchestral work by John Buller, and the

festival marks the Brahms (right) anniversary with performances of all the symphonies and string quartets.

SAVONLINNA

Finland's premier opera festival has a new work by Einoluhani Rautavaara as its centrepiece this year. The programme opens on Saturday with Die Zauberflöte, followed by Tannhäuser and Cav and Pag. There will also be two productions by the Kirov Opera at the end of July.

LUBECK

On Saturday at the Musikhalle, Herbert Blomstedt conducts the North German Radio Symphony



Orchestra in the opening concert of the Schleswig-Holstein music festival. The 1997 programme marks a reconciliation with Justus Frantz, who returns with his own touring orchestra - two years after an embarrassing split with the festival he founded.

PARIS

In Paris at the Palais Garnier, the Opera Ballet gives the first performance of a new version of *Sylvia*. Ravishing music by Delibes, fresh choreography from John Neumeier. Performances throughout much of July from sensational dancers.



Plácido Domingo and Kallen Esparian

Verdi seen afresh

Andrew Clark on two operas given in their little-known original versions

It takes a Verdi to put the Royal Opera House's problems in perspective. As the company staggers towards redevelopment, beset by planning glitches, personnel upheavals and public relations faux-pas, it can still pull off performances - like *Macbeth* on Friday and *Simon Boccanegra* on Saturday - which make us look at great works of art afresh. Both operas were given in their little-known original versions. What they showed us was out so much how the genius of Bussetto matured stylistically, but how mould-breaking these two operas were when they first appeared.

Before *Macbeth*, Nicholas Payne, director of the Royal Opera, made an abject apology for the postponement of Phyllide Lloyd's staging, which will now be seen in Paris before London. Friday's concert performance proved that with Verdi, there really is no substitute for proper dramatic stage-clothes. This is particularly

the case with *Macbeth*, which overshadows all its near-neighbours in the Verdi canon in its fusion of music and drama.

Listening to the 1847 original was a useful reminder that the opera we know today is still essentially the work of a 34-year-old; all the great moments were there from the beginning. And the passages which Verdi jettisoned in his 1865 revision compare remarkably well with the new music he composed.

That judgment applies especially to Lady Macbeth's jaunty aria at the opening of Act 2 - less psychologically perceptive than "Le luce languisce", his 1865 successor, but still effective in the hands of the right soprano. In her Royal Opera debut, the young Hungarian soprano Georgina Lukács proved equal to the task. Fiery and passionate, she made convincing drama out of Verdi's Donizettian coloratura; the voice may be neither big nor beautiful, but it matches the

demands of the part. Concert format always reveals which singers have star appeal. Lukács radiated it; so did Roberto Scandifozzi, whose all-too-brief appearances as Banquo found him not only in magnificent voice, but eager to etch the drama on the audience's imagination. In his role-debut as Macbeth, Anthony Michaels-Moore offered a promising sketch: the words as yet mean little to him. He sleep-walked through the first two acts, but made a compelling case for the Act 3 aria which Verdi later replaced with a duet. Tied to their scores, the chorus made a tepid witches' brew, despite Edward Downes's reliable encouragement from the pit.

The 1857 and 1861 versions of *Simon Boccanegra* provide a far greater contrast, and the Royal Opera's Verdi festival has given us a unique opportunity to view them side-by-side. From the opening staccato chords of

Saturday's performance, it became clear that the 1857 *Boccanegra* is a very different opera to the sophisticated political drama of 1861. Stylistically and structurally it is more of-a-piece, the naked flame of Verdi's inspiration coming from the gut rather than the head. The tone is lighter, the music more brilliant - and the conductor, Mark Elder, makes us believe in every note: this is a performance of immense theatrical sensitivity.

Jan JUDGE's production marshals the stage effectively enough, but fails to probe the surface. The logic behind the tilting of John Guter's unit-set and the 19th century look of Deirdre Clancy's costumes is never clear: both seem an empty following of fashion. Nevertheless, it all looks good - especially the semi-circular engraving of Genoa, behind which the ocean blue is poetically suggested at the opening of Act 1. But not even Nigel Leving's subtle lighting can prevent the Act 1 finale (superseded in 1861 by

the council chamber scene) from appearing ultra-conventional. In the prologue, Sergei Leiferkus's pony-tailed Boccanegra is instantly charismatic; Act 1 finds him persuasive both as man of public authority and Verdian father-figure, while the finale becomes a Boris-like bearing of the soul.

Profiting from Paolo's prominence in the 1857 version, Peter Sidhom suggests that Boccanegra's henchman is an immediate descendant of Rigoletto: Jaakko Rytönen sings *Pescio* with authority, but cannot hide that the part is a cipher compared to his 1861 incarnation. Kallen Esparian's Amelia blossoms in the last two acts, without quite managing to break the mould of the plebeian American soprano. As Gabriele Adorno, Plácido Domingo towers above them all. The part peels away years from his voice and appearance: no one could have asked for a more highly-charged performance.



Ménage à trois: Pearce Quigley, Russell Barr and Caroline Catz

Theatre/Alastair Macaulay

Thrills at a price

Shopping and Fucking, the 1996 hit by Mark Ravenhill which opened last week at the Cielgud Theatre, is surely the most shocking play to have reached a major West End theatre. What makes it a serious theatrical event, however, is that it is plainly written with a complex but acute moral sense. I have hefty reservations about it, but they are not about what it shows or says.

Not only does it demonstrate homosexual acts onstage, it also goes much further in what it leaves unshown. Sex for money, money for sex, the price of thrills, the thrill of prices, the pain of pleasure, the pleasure of pain... all these things rub shoulders in the taut, gritty, little London sub-world depicted here. Mark, Lulu, and Robbie, in whose fond ménage à trois the work begins and ends, all take drugs. To kick the habit, Mark has been taught to recognise that he has to kick other forms of dependence also - notably his need to be in love. Meanwhile, Lulu and Robbie get trapped in a cycle of selling drugs and sex for money. The vortex continues until Brian, Mark's latest boyfriend, agrees to solve their financial problems if they will fulfil his own particular form of masochism.

Harshly, wittily, S & F connects commerce and pleasure in graphic modern terms: if the Marquis de Sade and Karl Marx could have co-authored a play for today, this is it. Ravenhill's

finest achievement is, I believe, the way in which he makes us feel, keenly but uneasily, the cusp between amoral behaviour, immoral behaviour, and a moral sense: and feel how grey an area that cusp can be. The play's climax, at the end of the penultimate scene, horrifies Mark, Robbie, and Lulu - a poignant moral sense. I have hefty reservations about it, but they are not about what it shows or says.

I should also be said, however, that *Shopping and Fucking* is hardly a play at all. It seems more like some clever, lurid, disturbing cartoon. To imagine that these characters might have a life beyond their scripted scenes is virtually impossible.

That Mark Ravenhill is one of the most arresting talents to have arrived in the British theatre during the 1990s is surely obvious; but he hardly bothers with half the things that concern true playwrights. His boy-girl-boy ménage à trois recalls the end of Noël Coward's *Design for Living*; and, although Ravenhill strikes me as altogether more serious than Coward in his view of the escapist cocoon in which his characters live, he is also far less of an artist.

So far, Ravenhill is merely a sociologist with a peculiar and incomplete talent for dialogue and plot. And, instead of showing us more of his characters' nervous systems, he chooses to throw into his final scene some

tantalising metaphysical economic threads that send the audience away with a sense of underfulfilment.

If you have already seen the play in an intimate auditorium (London first saw it last October at the Royal Court Theatre Upstairs), it takes quite an adjustment to watch it now played behind a proscenium arch by a new cast. The director is the same, Max Stafford-Clark; it is very interesting to see how he has maintained and perhaps emphasised the cartoon-like quality of the play while making it clearer that Lulu, Mark and Robbie are by no means kids. In particular, Mark (Lloyd Hutchinson) and Robbie (Pearce Quigley) look older and less pretty than their Royal Court counterparts.

As Lulu, Caroline Catz is too callow. The quasi-innocent youthfulness of the original cast has been replaced by a kind of irresponsibility more pathetic and less attractive in no-longer-juvenile folk. To the degree that these characters are three-dimensional anyway, I think this version is an improvement. Russell Barr is particularly fine as the self-doomed Gary.

The big effect of Julian McGowan's designs is its array of neon letters behind the action, which light up to underline each scene: "home", "eg", "interview", "meal", "sweet", and more. We are always aware of how commercial and surface-oriented this sub-world is.

Cielgud Theatre, WCI.

INTERNATIONAL ARTS GUIDE

BAD KISSINGEN

CONCERTS
Kissinger Summer Festival
Tel: 49-971807110
● Felicity Lott and Ann Murray sing a programme including works by Purcell and Brahms; at the Tattersall, Jul 1
● Roger Norrington conducts the Czech Philharmonic in a programme of works by Schumann, Elgar and Dvorák; at the Regentenbau, Jul 2

CHELTHENHAM

CONCERTS
Cheltenham Festival
Tel: 44-1242-227979
● BBC Philharmonic: conducted by Vasily Sinalsky in Brahms' Symphony No. 1 in C minor, a new work by John Buller and Tchaikovsky's first Piano Concerto, with pianist Boris Barzovsky; at the Town Hall, Jul 5
● RNCM Wind Orchestra: conducted by Tim Reynish in works by Mendelssohn, Sallinen,

Strauss and Mozart; at the Town Hall, Jul 6

DROTTNINGHOLM

OPERA
Slottsteater
Tel: 46-8-4570600
Euridice: Per-Erik Ohm has chosen two of the first operas ever written for his first year as festival director. Jacopo Peri's opera dates from 1600 and this is its Swedish premiere. Produced by Karl Dunér, and designed by Peder Freil, with the Drottningholm Theatre Orchestra conducted by Jakob Lindberg; Jul 5

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-332 8451
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Riviera in the 1880s, to Venice in 1906; to Sep 7

GRAZ

Styriarte Festival
Tel: 43-316-825000
CONCERTS
● Liederfürsten: soprano Ruth Ziesak sings Lieder by Hugo Wolf and Schubert, accompanied by Helmut Deutsch; at the Kammermusiksaal, Jul 1

● Die Quintette: the Wiener Streichsextett plays string quintets by Brahms and Schubert, composers whose portrayal by this festival is as 19th century musicians with 20th century leanings; Schloss Eggenberg, Jul 3
● Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in the complete Brahms symphonies. Symphonies 1 and 2 are performed on Jul 4 and 8; 3 and 4 on Jul 7 and 10; at the Stefanienaal

LONDON

CONCERT
City of London Festival
Tel: 44-171-838 8891
Barbara Bonney: recital by the American soprano which is among this week's festival highlights, accompanied by Helmut Deutsch in songs by Schubert, Clara Schumann, Brahms and Debussy; at Drapers' Hall, Throgmorton Street EC2, Jul 2

OPERA

Royal Opera House
Tel: 44-171-304 4000
Simon Boccanegra (1857): British stage premiere of this, the original version of Verdi's opera. Mark Elder conducts, Ian Judge directs. Sergei Leiferkus, Plácido Domingo and Kallen Esparian star; Jul 4

DANCE

Royal Opera House
Tel: 44-171-304 4000
The Royal Ballet mixed programme includes Twyla Tharp's *Push Comes to Shove*.

William Forsythe's *Septent*, and Symphony in C, choreographed by Balanchine to music by Bizet. The final performance will be the last ballet at Covent Garden before the theatre closes for renovation; Jul 5

EXHIBITIONS

National Gallery
Tel: 44-171-639 3321
Saurat and The Bathers: places Saurat's great "Bathers at Asnières" in the context provided by the studies and drawings for the painting, as well as works by predecessors who influenced him, and by his Impressionist contemporaries; from Jul 2 to Sep 28

THEATRE

Shakespeare's Globe
Tel: 44-171-401 9919
Henry V: by Shakespeare - Mark Rylands stars as the young king in a production directed by Richard Olivier and designed by Jenny Tiramani; in repertory

MONTREAL

EXHIBITIONS
Museum of Fine Arts
Tel: 1-514-285 1600
Ediles and Emigrés: The Flight of European Artists from Hitler - focusing on the twelve years of Nazi rule 1933-45, this show - previously seen in California - explores the work of 23 artists during their years in exile; those featured include Salvador Dali, Max Ernst, George Grosz and Piet Mondrian; to Sep 7

NEW YORK

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-535 7710
The Glory of Byzantium: exhibition celebrating the Second Golden Age of Byzantine civilization from mid-6th to mid-13th centuries; to Jul 6

Museum of Modern Art

Tel: 1-212-708 9480
● Objects of Desire: The Modern Still Life - beginning with Cézanne, including masterpieces by Matisse and Picasso, and culminating with Pop art and contemporary works, this exhibition challenges and opens out the genre; divided into ten broadly chronological sections, it traces the art of this century through the various and evolving representations of objects; to Aug 26
● This retrospective of the Stenberg brothers promises to be MOMA's largest graphic design retrospective to date. Bright young things of the Russian avant-garde, Vladimir later became Chief of Design for Red Square, while Georgii died in 1933. The brothers are best known for the arresting posters they designed for Soviet cinema in the 1920s; to Sep 2

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Così Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno

Schwengl; Jul 2, 4
● La Traviata: Lide Brovsky directs this new production of Verdi's opera, set in the Parisian demi-monde. Patricia Racette is Violetta, Raymond Vary is Alfredo, William Stone is Germont. Until July 9 the conductor is John Crosby, when Christopher Larkin takes over; Jul 3, 5

TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-817-931 2000
● Boston Symphony Orchestra: conducted by Zdenek Macal in works by Brahms and Mozart, with piano soloist Garrick Ohlsson and the Tanglewood Festival Chorus conducted by John Oliver; at the Koussevitzky Music Shed; Jul 5
● Boston Symphony Orchestra: conducted by Seiji Ozawa and John Williams in a programme of works by Rouse, Barber and Copeland, with violinist Gil Shaham and the Tanglewood Festival Chorus conducted by John Oliver; at the Shed, Jul 6

ZURICH

EXHIBITION
Kunsthaus Zürich
Tel: 41-1-262 0909
● Birth of the Cool: wide-ranging survey of American art in the latter half of this century. Among the artists represented are Georgia O'Keeffe, Jackson Pollock, Andy Warhol and Chuck Close; to Sep 7

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COMMENT & ANALYSIS



Economic Viewpoint • Samuel Brittan

The jobs debate

The UK is probably near full employment nationally; policy should concentrate on helping those hard to place

The introduction and finance of "welfare to work" measures is the sole arguable justification for having a second UK Budget for the present financial year. There is no black hole in the national finances.

Yet it is revealing that nearly all the mountains of pre-Budget commentary have been devoted to topics such as corporate taxation or the implications for interest rates. The specific content of the "welfare to work" measures is taken for granted.

Yet among the group of labour market specialists who do scrutinise the programme, however, an interesting debate has indeed taken place. One notable contribution comes from David Webster, a Glasgow chief housing officer who also happens to be an economist. (Do not be put off by its title, *The L-U Curve*, Glasgow University Centre for Housing Research and Urban Studies).

Mr Webster challenges the concentration of most job creation measures on the long-term unemployed. The usual justification is that people who have been out of work for a long period are less attractive to employers and have themselves become discouraged in their efforts to find work. They are sometimes compared with withering flowers that have remained too long on display.

This theory assumes that there is some identifiable difference between those who have been unemployed for different durations. An alternative theory is that the long-term unemployed are simply those who have lost their job some time ago, but are otherwise little different. Mr Webster argues that the amount of long-term unemployment is simply a lagged function of total unemployment.

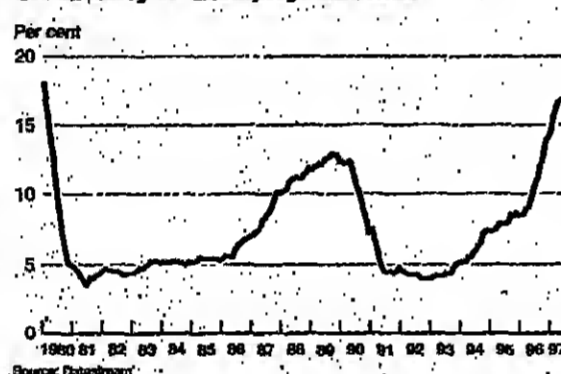
It is easy to see why this research should be of interest to Glasgow. For the

implication is that, in spite of the high number of long-term unemployed in the city, the labour force available to new employers is no worse than anywhere else. Mr Webster attributes structural unemployment to a history of job losses in manufacturing centres. His suggested remedy is infrastructure investment to promote blue collar jobs in areas that have lost them.

A more fruitful line would have been to ask why the unemployed in these blackspots are so reluctant to move to places with better prospects. This in turn might have led him to further research on his own area, that of housing, which might also have thrown doubts on his other suggestion that the ratio of benefit to expected pay in work (the replacement ratio) is unimportant.

Fortunately, the outsider does not have to adjudicate between the withering flowers and the Glasgow hypothesis. This is because Mr Webster's suggested "link" relationship between total and long-term unemployment breaks down below about 7 per cent. At these lower levels he agrees that "the proportion of unemployed with genuine employment handicaps rises". But unemployment is now at or near that level.

UK vacancy to unemployment ratio



however measured.

If we look at the overall labour market the picture is one of considerable buoyancy. The ratio of vacancies to unemployed is now nearly 17 per cent. This may not seem very high, but registered vacancies are believed to represent only a third or less of the total. The ratio is now some four percentage points higher than at the peak of the boom year of 1989.

The UK probably is now in a macroeconomic sense at full employment, meaning that still higher overall demand for labour would mainly trigger off inflation. This is exactly what Keynes said when unemployment was at a similar percentage in 1937 when he argued that there was no more case for a boost from "the centre", but that job creation should concentrate on specific and local measures.

Labour's announced specific plans concentrate on people under 25, unemployed for more than six months. These will have four choices: a private sector job with a subsidy of £60 per week for the employer for six months; "benefit plus" employment in the voluntary sector for a similar period; a job with an environmental task force or full-time study. Some of these measures may be extended to older workers when resources allow.

I have already argued that these proposals implicitly recognise both the relation between pay costs and jobs and the need for in-work top-ups. I should prefer the top-up to be given to workers rather than employers - but then I am only a middle class liberal, not brought up in the Labour movement.

As A. Dicks and J. O'Sullivan have pointed out in *NatWest Markets*, Labour cannot stop at its commitment to get 250,000 people in this age group off benefit. For, by April this year, there were only 180,000 under-25s out of work for six months or more. In any case at a time of brisk labour demand, young people are the ones most likely to come off benefit soon in any case; and the measures would be better applied across the board.

It remains true that the majority of unemployed people leaving unemployment enter jobs which are temporary and pay less than the most modest estimate of the proposed minimum wage. Although some of them are soon promoted at their posts, others go back into unemployment or other temporary jobs.

Thus Labour's stress on improving "employability" for problem cases may now be the key to higher employment, as it was not when the programme was first formulated and is probably still not in most of continental Europe.

One of the main tasks ahead is to minimise the damage likely to be inflicted on Labour's own job programme by the minimum wage. If we cannot get rid of the wretched thing altogether, it ought to be of the lower end of the spectrum of possibilities. It should not apply to young people or anyone in the first months of return to work after a spell of unemployment. In other words it ought also to coin a phrase - be "flexible".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Dear Sir, I am writing to you in response to your article "Germany shows flexibility safeguards jobs" (June 29). I am a German and I am also a member of the FT web site, <http://www.ft.com>. I am writing to you in response to your article "Germany shows flexibility safeguards jobs" (June 29). I am a German and I am also a member of the FT web site, <http://www.ft.com>.

Germany shows flexibility safeguards jobs

From Dr Jens Bastian.

Sir, With reference to Samuel Brittan's Economic Viewpoint (June 19), defining flexibility in the labour market is indeed an arduous endeavour.

The current debate ranges from "numerical flexibility" to "flexibility with fairness". In order to avoid re-inventing the wheel with regard to flexibility, it is often more appropriate to look at what

is happening on the ground.

The German example is a case in point. While its labour market is frequently termed "rigid" and "inflexible", recent changes indicate a necessary revision of such simplistic assessments. Such changes also help in explaining why unit labour costs are - albeit late - starting to decline.

In the German chemical industry a landmark agree-

ment in June 1997 allows for

the first time to decrease contractual remuneration for employees by 10 per cent if the company is in economic difficulties, and this measure can save jobs. Such an "opening clause" has been inserted into the framework collective bargaining agreement, and allows negotiation at company level of a temporary wage decrease. What this agreement

underlines is a paradigm shift from the usual redistribution objective to the goal of safeguarding employment while giving employers wage flexibility.

Jens Bastian, lecturer in German political economy, London School of Economics, Houghton Street, London WC2A 2AE, UK

Broader influence on EU enlargement

From Mr James Provan.

Sir, The two conclusions about EU enlargement that you suggest follow from Carlo Trojan's sacrosanct principle ("Santer's trusted ally takes helm in Brussels", June 24) do nothing of the sort.

There is no serious suggestion of dismantling either the Common Agricultural Policy or regional aid, but rather of reforming them so that they conform to modern economic and political circumstances.

The pressures for such reform come from many quarters and reform would be necessary whether or not

EU enlargement was about to take place.

As far as the CAP is concerned, these quarters include the impact of Euro and budgetary austerity, new technology, environmental concerns and, most of all, the tightening disciplines of the World Trade Organisation. Enlargement merely serves to add to these pressures.

Each enlargement to date has been self-generating. The next one will be no exception. We will have a clearer idea of what this one involves and its timetable when the Commission publishes its options next month and when the Euro-

pean Council meets in Luxembourg in December.

In any event, the outcome will have to be approved unanimously by the member states and receive the assent of the European parliament. So the views of Europe's voters between now and then will be infinitely more decisive than the views of one man, however distinguished and however sacrosanct his principles.

James Provan, (South Downs West, Conservative), Middle Lodge, Barns Green, Horsham, West Sussex RH13 7NL, UK

BT not told

From Mr Colin R. Green.

Sir, Your article "Windfall tax to yield \$3bn more than expected" (June 27) is wrong to say that BT is preparing to make a payment in windfall tax of up to \$1bn. We have not been told that we will be included, let alone of any amount. We continue to believe that we should not be included in any windfall levy, as BT is neither a utility, a monopoly, nor does it make excess profits.

Colin R. Green, secretary and legal adviser, BT, BT Centre, 81 Newgate Street, London EC1A 7AJ, UK

Bureaucracy comes under threat in an open world

From Professor Ipppei Wakabayashi.

Sir, Bureaucrats are about to experience a formidable challenge all over the world. John F. Kennedy, explaining that the erosion of respect for super-bureaucracy is a worldwide phenomenon ("The lost grey tribe", May 31/June 1).

Historically, bureaucracy is a natural activity for the nation-state, especially when it has imperial territories to govern. It is doubtless true that a super-bureaucracy is an indicator of political immaturity in today's open world. We should not miss

another group of faceless men, this time from the corporation, not the ministry.

Where have they come from? As the English mathematician and philosopher, Alfred Whitehead, recognised, the greatest invention of the modern science is the system of training completely ordinary people in limited disciplines and then organising them into a functioning whole of intelligence. Organisations, private or public, are becoming more and more information-dependent. In short, organised intelligence is needed everywhere. Finally, ordinary

people have occupied the high ranking positions in the bureaucratic hierarchy.

It is a good thing that the internet environment is accelerating the openness of today's borderless world. But while we are enjoying the convenience of the internet, more and more sophisticated systems will be developed to collect and analyse individual information server data to produce a widely database.

This means the net environment might help bureaucracy to be able to survive the crisis, or might not. Every rose has its own

thorn. Anyone who hopes to accomplish something meaningful in today's open world will have to create his or her own original organised intelligence. Unprecedented challenge has just begun.

Confucius says: "Anyone learning without thought is lost; anyone thinking but not learning is in peril."

Nearer the mainstream

Mention hedge funds and one immediately thinks of high-flying risk-takers such as Mr George Soros, the Hungarian-born financier who made a cool \$1bn by betting on the devaluation of sterling in 1992.

But the industry is changing. Buoyed by vast cash inflows from investors fearful of a sharp correction in the rampant US bull market, it is diversifying and attracting a broader investment clientele. The term hedge fund now extends well beyond the familiar big players taking bets on global movements in interest and exchange rates. It embraces funds engaging in a wider range of hedging strategies in a greater variety of markets.

Momentum UK, a medium-sized hedge fund, is just one of many beneficiaries of this trend. The money it manages has almost doubled in the past year to about \$250m. "There's been a very, very strong flow in the last six months from all sorts of places," says Mr Michael Goldman, Momentum's managing director.

Cash has poured into hedge funds even though, over the past two years, the industry has failed to match the performance of the S & P 500, the broad-based US stock market index.

Several studies point to underperformance. A weighted index of more than 1,000 funds compiled by Hedge Fund Research, the Chicago-based tracking business, has failed to beat the S & P 500 for the past two years. In the four months to the end of April, only one of six types of fund monitored by Managed Account Reports, the specialist publishing company, achieved more than half the 8.8 per cent growth rate achieved by the S & P.

Yet, in spite of such an unremarkable performance, assets managed by the global industry rose 50 per cent to \$240bn in 1996, according to Hedge Fund Research. More money is invested in hedge funds than at any time since detailed records began six years ago, says Ms Lois Peltz, managing editor of Managed Account Reports.

What explains this apparent contradiction of growth and underperformance? Quite simply, the bull market

Hedge funds are attracting a broader range of investors, says Jane Martinson



Soros: his management style is one of many approaches

First, the record-breaking performance of blue chips over the past two years has attracted more money into the investment arena generally. Demographic changes and the strength of the US economy have helped ensure greater liquidity and a strong flow of new money into the equity and debt markets. Hedge funds have ridden the crest of this wave.

The extremely wealthy individuals who have provided the backbone of the industry have also shown greater interest. "The high net worth individuals who took their money out of hedge funds in 1994 are now back," says Mr Patrick Moriarty, senior vice-president of Evaluation Associates Capital Markets, a Connecticut-based fund manager.

Institutional investors, who have traditionally seen the sector as too risky, have also increased their exposure. Institutional money has risen from nothing six years ago to an estimated 30 per cent of all cash lodged with hedge funds, says Ms Nicola Meaden, the director of Tass, a research company. Second, there is an underlying fear that it is all too good to last. While the bull run has continued unabated, investors have betrayed their anxieties. In a so-called "flight to safety" they have sought out more liquid blue chips, or have tried to min-

imise risk by hedging against a correction. "People are attracted by hedge funds because they are getting worried about the level of the US equity market," says Ms Meaden.

Evidence suggests that much of the new money is seeking low-volatility funds with a low correlation to overall market performance. The most popular have been so-called "market neutral", those that aim to make money regardless of whether the underlying market goes up or down. Funds offering such a "market neutral" service have seen assets increase by an estimated 80 per cent in the past year, compared with a 50 per cent increase for the industry as a whole, says Tass. "There has clearly been a bias towards conservative funds," says Mr Goldman at Momentum.

The increasing involvement of institutions, which typically are bound by their statutes to avoid riskier investments, has been one of the factors spurring a more conservative strategy. The trend goes hand-in-hand with a move towards diversification. The number of strategies offered by hedge funds has doubled to 18 in the past six years, according to the calculations used by Hedge Fund Research.

These include short-sellers which hedge against upward momentum in the market and a range of other techniques which respond to specific situations such as companies in trouble. Although the industry still has room for funds that operate in so-called "macro" strategies, taking huge gambles on market movements typified by managers such as Mr Julian Robertson of Tiger Fund Research, and Mr Soros, their dominance is under threat. Hedge managers had \$1 per cent of the industry's assets in 1992 but only 28 per cent last year, according to Hedge Fund Research.

Whatever the particular strategy offered by funds, argue that short-term comparisons with the S & P are deceiving. In the long run, they say, most hedge funds will outperform the market. "The past year or so has been good for the hedge fund business," says Mr Madh, Mizra, managing director of alternative investments at Citiselect, Citibank's hedge fund arm. "We have underperformed, but people are not that concerned about as long as we are making money."

In the long run it will be the ability of hedge funds to survive any downturn that will determine the industry's reputation. Since 1990, in all but the past two years of exceptional growth, most funds have tended to outperform the S & P 500.

Mr Sol Waksman, a private hedge fund investor and president of Barclay Trading Group, an independent consultancy, is not too concerned, but his confidence is tempered. "The last time hedge funds became popular in the mid to late 1980s," he warns, "the market turned down for a few years and the entire industry was wiped out." Since then, the industry has adapted. Mr Waksman's most recent investment was put mainly into market neutral strategies. "I think more sophisticated investors recognise the value of diversification," he says.

Whether such sophistication will survive a downturn is not clear. If it does not, money flowing to the funds will slow and the industry will have to rethink. "What will the hedge funds do in a prolonged market downturn?" asks Mr Waksman. "That's the million-dollar question."

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Monday June 30 1997

Hong Kong's opportunity

For China, tonight's handover of Hong Kong is being publicly presented as a triumphant vindication of national pride. For Britain, it is seen rather as a belated and somewhat sobering reminder of lost imperial glory.

For many of the people of Hong Kong, it is a moment of anxiety about what the future holds for them, as they switch from a colonial to a Communist ruler.

Yet for each it should be seen as something more: more than a cause for triumphalism, for regret (or relief), or for fear. It also represents an extraordinary opportunity.

Eight years ago, it seemed almost impossible that Hong Kong could arrive at today's ceremony in such a positive mood. In the wake of the Tiananmen Square massacre to Beijing, fear for the preservation of the freedom and civil liberties which exist in the colony was real and justified. And yet today the territory is economically buoyant and socially stable. The stock market is breaking new records. Confidence clearly outweighs concern.

China deserves credit for its readiness to implement Deng Xiaoping's concept of "one country, two systems". That is the compromise which makes this transfer possible. For Beijing, the separate status of Hong Kong as a "special administrative region" is a huge concession, giving China sovereignty in name, but making self-government a daily reality. Its law will not be Chinese law. If Beijing abides by all it has signed up to, Hong Kong will retain much of its unique character.

Self-determination

Britain also deserves credit for the way in which it has attempted to prepare the territory for the transfer. So does the outgoing governor, Mr Chris Patten. His electoral reforms may be doomed, but he has nurtured in Hong Kong an enduring sense of civic responsibility, and an awareness of the right to self-determination. With only a short experience of democracy, the electorate of Hong Kong has shown itself to be remarkably mature. Its people value choice.

For those left behind

The departure from Hong Kong does not quite signify the end of empire. While not much of pomp and circumstance remains, 190,000 people are left in 14 British dependent territories around the globe.

Britain has not been so dignified in its treatment of these people as it has attempted to seem in its departure from Hong Kong. Honour demands that the government fulfil its responsibilities towards the remaining colonies, and in particular that it return citizenship to those people who were stripped of it under shameful legislation passed in 1981.

For some of the dependent territories, this would be of marginal importance. The most populous, Bermuda and the Cayman Islands, have thriving offshore finance and tourism businesses. Their links with Britain offer an image of stability and continuity that many independent countries have struggled to emulate.

But for people in other settlements - smaller, often isolated places such as St Helena in the south Atlantic - to become British again would be of enormous economic value. Even the right to work in the UK would help tackle high unemployment in St Helena and restore a sense of purpose among young people. Over the years, the people of many of the dependent territories have gained a strong impression that Britain wished to be rid of them. This is because, even ignoring the £70m a year spent on defending the Falkland Islands, the cost of the dependent territories to the exchequer runs into tens of millions of pounds a year.

Aid budget

Britain has a duty to pay this bill, because its colonial past implies continuing responsibilities. Granting citizenship or at least the right to work in the UK, as well as allocating the existing aid budget more effectively, would enhance the future viability of these settlements and thus reduce the need for future aid. Unfortunately, the Labour

They also value stability.

The establishment of democratic institutions should have come sooner. Then Beijing would not have been in a position to be so cynical about the exercise. The British government should also have been willing to grant full passports to those who sought them. But to other ways, Britain's efforts have gone far beyond its treaty obligations. It leaves Hong Kong with a thriving civil society, including a free press, an independent judiciary, an honest civil service, and above all a dynamic and prosperous economy.

Difficult path

Great responsibility now rests on the shoulders of Mr Tung Chee-hwa, who replaces the British governor as chief executive. His commitment to hold elections for a legislative council within 12 months is reassuring. So was his willingness to reappoint most of the territory's top civil servants. His warnings about the limits to political protest and free debate are worrying. But he has an extraordinarily difficult path to tread between the interests of the people of Hong Kong, and the sensitivities of his ultimate masters in Beijing.

Hong Kong's prosperity, and the dynamism of its business community, remain its greatest source of protection. It has already contributed hugely to the opening-up of mainland China, as the largest source of foreign investment. China needs the territory to remain a vital economic and cultural bridge to the rest of the world.

Beijing must understand that transparent government and respect for the rule of law in Hong Kong are essential to maintaining that prosperous link. Infection with corruption from the mainland would be fatal. But in the end, it seems unlikely that "one country, two systems" is a formula which can be preserved indefinitely. One system will prevail. Hong Kong's prosperity, and its ability to export it, could yet prove the decisive factor in determining the future of China.

government signalled in a House of Lords debate this month its intention to continue the policy of its Conservative predecessor. It has less excuse since it played no part in fashioning the most shameful aspect of this policy.

In its anxiety to ensure Hong Kong's 6m people had no right of settlement in the UK, Margaret Thatcher's government passed legislation in 1981 that also stripped the right from the other citizens of empire. Citizenship was handed back to the 2,300 Falkland Islanders after the 1982 war with Argentina under a government-supported private member's bill. The people of Gibraltar also have UK citizenship, because of the European Union. Both are territories whose sovereignty is in dispute. They are also the two colonies peopled primarily by people of white skin.

Eastly restore

Does France treat the people of its shrunken empire like this? No: it treats them as fully-fledged citizens. The Labour spokeswoman, Baroness Symons of Vernon Dean, was correct in pointing out that the legal status of the French overseas territories is different. But that need not prevent Britain from offering citizenship to the people of its colonies: what parliament took away it can just as easily restore.

Lady Symons identified two problems with such a move. First, granting citizenship would require the territories to reciprocate in allowing unrestricted access to British citizens, which they are reluctant to do. But it would surely not be right to turn that small point into an insuperable obstacle.

Second, "it would be seen as highly cynical if we waited until sovereignty over Hong Kong had passed to China and then granted British citizenship to the remaining dependent territories." Perhaps so. But to use that argument to deny citizenship now to those left behind in the last remnants of empire is to suggest that multiple wrongs make a right.

Old wounds to reopen

An imminent report on Nafta could affect future US trade policy, write Nancy Dunne, Stephen Fidler and Patti Waldmeir

Which of the following have been caused by the North American Free Trade Agreement?

1. The loss of 500,000 US jobs.
2. A 2m rise in Mexican unemployment.
3. The peso crisis.
4. More hepatitis and chronic diarrhoea in Mexico.
5. Two armed uprisings south of the Rio Grande.
6. Malfunctioning toilets at the office of the US Trade Representative.

Answer: None or all of the above, depending on whom you ask.

US trade officials call it the "Gypper syndrome" - throw any criticism at Nafta, and it sticks. Nafta-bashing has become such a popular game that even Trade Representative officials engage in their own facetious version of it. When the toilets stopped working in their office recently, they were sure Nafta was to blame.

But tomorrow the US administration will fight back, releasing a report to Congress on the first three years of the trade accord between the US, Mexico and Canada, in effect since January 1, 1994. The report will not only reopen old wounds over Nafta; it could have a big effect on trade policy in President Bill Clinton's second term. The short history of Nafta could help determine the near-term future of American trade with Latin America, as the president gears up to ask Congress for "fast track" authority - the right to negotiate trade agreements without having to submit them to a line-by-line veto by legislators.

It is hard enough to separate fact from fiction in any trade dispute and that has proved particularly to be the case with Nafta. But American protagonists of Nafta seldom seem to try. The debate has become a proxy for a battle over much larger issues: globalisation, economic dislocation, job insecurity, ethnic paranoia and even the future of the American middle class. Politicians have proved adept at using Nafta as a lightning rod for fears about economic life in the 21st century.

"It's not so much the details of Nafta, but just this [feeling that] we've got to do something about all these jobs that are going to other places around the world," says Mr William Daley, the US commerce secretary, who shepherded the agreement through Congress in 1993. That makes it easy to use the agreement to "touch on a nerve of fear".

And, in the US, that nerve remains exposed despite conditions of near-full employment and an economic resurgence of historic proportions. The Department of Labour has ruled that 125,000 people have lost their jobs because of Nafta. Although Nafta opponents say it is an underestimate, as Mr Sidney Weintraub, a US expert on trade, says, it is equivalent to the number of jobs created by the US economy every fortnight.

But what matters to the political debate is not facts but public perceptions: many Americans believe their jobs are insecure, badly paid and under threat from cheap-labour states such as Mexico where - according to Mr Dick Gephardt, the Democratic party leader in the House of Rep-

Down Mexico way

Change in US exports to Mexico

1981-83 1993-95

+11% -50%

Mexican unemployment rate (%)

2.0

US/Mexico trade

1992 93 94 95 96 97

2.4 2.5

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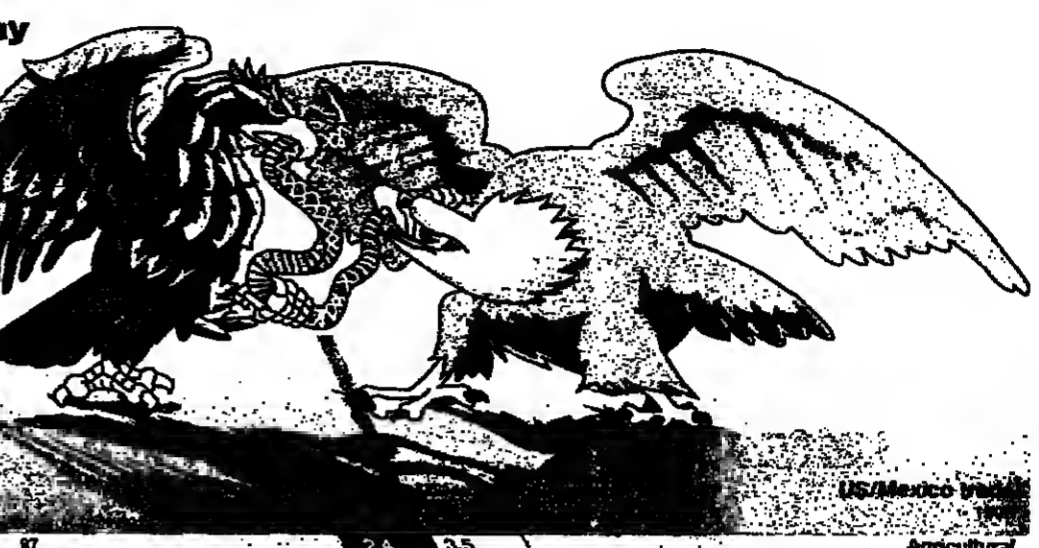
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70 right-hand scale: 1993-100	105	0.9	1.7			
80	100	4.1	2.3			
50	95	1.5	5.1			
40	90	0.6	4.7			
30	85	2.0	2.3			
20	80	2.0	4.2			
10	75	5.5	8.2			
0	70	17.7	16.4			
1990	91	92	93	94	95	96
	19.8	8.5				

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FINANCIAL TIMES

Monday June 30 1997



Albanians fear violence after threats mar poll

By Guy Dinmore in Tirana

Albanians yesterday deserted the streets of Tirana, the capital, fearing a bloody outcome to a general election marred by reports of fraud and intimidation.

The two main parties - President Sali Berisha's rightwing Democratic Party and the opposition Socialist Party - accused each other of sabotaging yesterday's poll.

Diplomats predicted a close result but feared a low turnout. Polling stations closed three hours early because of fears of violence. Voting was brisk in the early hours in central Albania but in many parts of the country few dared venture out after midday.

Heavily armed supporters of Mr Berisha gathered outside his party headquarters. "We're not doing very well," a Democratic spokesman conceded after a week of rallies at which Mr Berisha had predicted victory against the Socialists. "Our people are under pressure in the electoral commissions, where 'rebel' committees and mafia bosses hold sway."

The interior ministry confirmed yesterday that a Democratic electoral commission official in the central town of Fier had been shot dead. Democrats



Berisha: unpopular reforms

which the world hopes will restore stability in Albania after months of unrest. Mr Berisha has said he will resign if the Socialists win, provided the Organisation for Security and Co-operation in Europe declares the polls acceptable.

OSCE officials said the Democrats had started to build a case for rejecting the poll results, mainly on the grounds that their candidates could not campaign freely in the south where "rebel" committees and mafia bosses hold sway.

The interior ministry confirmed yesterday that a Democratic electoral commission official in the central town of Fier had been shot dead. Democrats

said the killer was the brother of a Socialist party official.

Mr Berisha's party also said one of their electoral officials had been killed near the southern town of Lushnja. The Democrats accused armed gangs backed by the Socialists of terrorising voters.

The Socialists, led by Mr Fatos Nano, said presidential guard units and secret police had intimidated voters in some areas, including Tirana.

Mr Berisha's party won a landslide victory in parliamentary elections in May 1996 after widespread fraud and intimidation. His popularity after five years of market-oriented reforms plunged after the majority of Albanians lost money in pyramid schemes.

Despite widespread hatred for Mr Berisha, many Albanians also mistrust the Socialists, heirs of the Communist party which ruled for 46 years.

The Democrats' ability to manipulate the polls this year is restricted by the presence of over 600 western observers, protected by a 7,000-strong multinational force and over 1,000 Albanian monitors.

Full results are not expected before Tuesday.

Picture, Page 2

EU moves towards informal deal on tax levels

By Lionel Barber in Brussels

Momentum is growing for a voluntary code of conduct to stop predatory tax competition in the European Union.

The gentlemen's agreement would require member states to stop luring capital investment and jobs from their neighbours through artificially low corporation tax and other fiscal incentives.

An EU-wide deal on direct taxation would challenge one of the last bastions of national sovereignty and would therefore be limited in scope initially. But EU governments appear to be more open-minded about fiscal co-operation.

Luxembourg, a resolute defender of its status as a tax haven, has declared it is ready to make tax reform a priority of its six-month EU presidency which it assumes tomorrow from the Netherlands.

Last week, Mr Jean-Claude Juncker, the Grand Duchy's prime minister, signalled he was willing to agree to a new EU directive on withholding tax in exchange for a broader package on fiscal harmonisation.

Luxembourg is under heavy pressure from Germany to plug its withholding tax hole on foreign deposits which Bonn says is encouraging an outflow of tax revenue.

Mr Juncker is expected to join forces with Mr Mario Monti, EU internal market commissioner, to work on a package. Mr Monti's group of national finance ministry representatives has already reached broad agreement on criteria for judging harmful tax competition.

These include a lack of transparency; different treatment for residents and non-residents; failure to comply with Organisation for Economic Co-operation and Development standards on price transfer; and a low level of taxation in relation to the level of general taxation in the country.

Mr Monti has set a deadline of mid-July for agreement on the new tax guidelines. But any deal would still require unanimity among the 15 EU governments and obstacles remain.

Britain's Labour government has reversed the hostile attitude to EU-wide tax co-operation adopted by its Tory predecessor. But London is still wary of signing up to a code of conduct which could prove unenforceable.

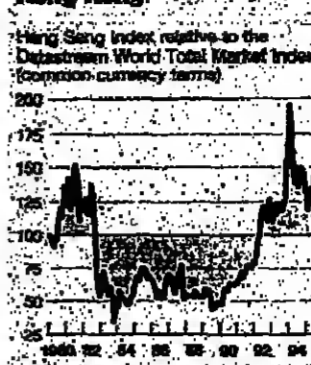
The first political test for tax reform comes in mid-September when Luxembourg presidency chairs an informal meeting of EU finance ministers and central bankers in Mondorf-les-Bains.

THE LEX COLUMN

Hong Kong takeaway

Predictions of fear and chaos as Britain hands its last great colony back to a Communist regime have been a little wide of the mark. Hong Kong property prices are up 30 per cent this year and the stock market has risen 13 per cent - hardly evidence of panic. The city's inhabitants are rightly worried about the possibility of corruption and the erosion of the independence of its legal system and press freedom. But for business, 1997 will be less significant than 1979, when China unleashed capitalism in its southern provinces and underwent Hong Kong's recent economic miracles.

Hong Kong



Source: Bloomberg

Nonetheless, the handover of corporate power has convincingly beaten tonight's flag-raising ceremony. Last year, China gained effective control of Hong Kong's airline, Cathay Pacific, and made significant inroads in the property sector. This year, Hongkong Telecom (HKT) and China Light & Power (CLP) joined the fold. The only remaining sector where British interests exert considerable control is banking. Restructuring of HSBC and Standard Chartered's interests in Hong Kong is likely, but since Bank of China already has a large slice of the market, it does not look a pressing issue.

This changing of the guard has been the only game in town this year. Take HSBC, HKT and CLP out of the Hang Seng index and the other blue chips have scarcely risen. The rest of the action has been in the "Red Chips", or China-controlled Hong Kong businesses. In 1990, these accounted for less than 5 per cent of the stock market. That has risen to 15 per cent and will increase exponentially as Hong Kong fulfils its natural role as a capital-raising centre for its new sovereign. But dragging a tiger economy into the mature confines of the Hong Kong stock market is not without risks. It has brought with it the opacity and volatility of a fledgling emerging market. And it will be hard for Hong Kong's regulators to police Chinese capital flows into Chinese-controlled companies without inviting in the Communist authorities - something they would rather avoid. Without strict regulation, it is only a matter of time before some corporate atrocity knocks the stuffing out of the market.

A more immediate risk is that Hong Kong's new chief executive, Mr Tung Chee-hwa, may tackle the task of deflating the property mar-

ket with excessive vigour. But the interests of property developers lie in maximising the amount of property they can sell. And if Mr Tung adjusts the bureaucratic restraints on converting land into property, and increases the supply of land, the interests of both Hong Kong's developers and inhabitants would be usefully served.

However, the real driver for the stock market over the next few months will be capital flows from China. With a trade surplus and a rapid reallocation of savings, there has been a flood of liquidity into financial markets. China could try to stem these flows through regulation or subtle rattling. But it is anxious to impress renegade Taiwan with the success of Hong Kong's reintegration; and so it will be loath to do anything that might spoil the party.

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US groups angry at moves to ban internet phone calls

By Alan Cane in London

US telecoms equipment manufacturers are furious about attempts by some European countries to ban internet telephony, which enables calls to be placed worldwide at a fraction of the usual cost.

New technology, which makes possible internet voice calls of a quality similar to the switched telephone network, threatens to damage the profits of conventional operators.

Manufacturers, backed by the White House and the Federal Communications Commission, claim that to regulate internet telephony in the same way as conventional voice services would significantly impede the growth of electronic commerce.

IDT Corporation, a leading US manufacturer of internet telephony equipment, said the industry could have sales of

\$2bn by 2001, "which will not be reached if these bans are enforced".

Manufacturers are concerned about the Czech Republic, which states that internet telephony is not permitted; Hungary, which says the internet should not be connected with voice channels or the public switched network; Iceland, which says only its telecoms authority can legally offer voice services; and Portugal, which ostensibly lays down that voice services are not allowed over the internet. Portuguese sources say, however, there is no legislation banning internet telephony - Portugal Telecom, the national operator, simply likes to give the impression that it is not allowed.

Internet telephony takes advantage of the fact that telecoms operators sell transmission capacity in bulk at low

prices to internet service providers. New technology makes it possible to use the internet for conventional conversations using personal computers.

IDT points out that most operators and governments did not feel threatened until the company launched a personal computer-to-telephone system and indicated a phone-to-phone system via the internet would follow. "Since we released this product, sales have increased by 50 per cent and the length of call has gone from 3 minutes to 5.5 minutes," IDT said.

The company says the four countries involved signed the World Trade Organisation pact in February this year designed to open up world telecoms. Banning internet telephony, it says, violates the accord.

Mobile phone base, Page 8
Media, Page 12

Eni share sale three times subscribed

Continued from Page 1

at Friday's official market price.

Demand from Italian institutional investors, who have been allocated 109m shares, and from North American institutional investors, who have been allocated 136m

shares, was above expectations. Institutional investors in Britain have been allocated 90m shares, while 72m shares have been allocated to the rest of the world.

The Eni offering was undertaken at short notice, but Mr Draghi said its success provided grounds for optimism on

future Italian privatisation operations.

Although the government cannot sell more Eni shares in the next six months, the Treasury says that the privatisations of Autostrade, a toll highway operator, and Telecom Italia, the telecommunications group, are imminent.

FT WEATHER GUIDE

Europe today

It will be dry with sunny spells in Scotland and Ireland. Cloud and rain are expected in eastern and southern England. There will be a strong northerly wind along the east coast. The Benelux and France will have showers and thunder storms. Eastern Europe will be very warm with thunder storms spreading eastward across western Poland, Austria and Hungary. Northern Italy will have scattered thunder storms. Southern Italy will stay dry and sunny. Most of Spain and Portugal will be sunny. Greece and Turkey will be hot and sunny.

Five-day forecast

The British Isles, the Benelux, France and Germany will stay unsettled with showers and not much sunshine. Southern Norway will have very heavy rain on Tuesday and Wednesday. The Mediterranean will be dry and sunny.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	33	Madrid	31	Paris	24
Algiers	29	Barcelona	28	Rome	27
Amsterdam	19	Berlin	21	Stockholm	15
Athens	32	Bombay	31	Tokyo	26
Atlanta	22	Brussels	20	Vienna	23
B. Aires	14	Dakar	31	Zurich	21
Bham	18	Dubai	31		
Bangkok	26	Dublin	18		
Batavia	21	Edinburgh	15		
Bombay	31				
Buenos Aires	21				
Calcutta	31				
Cairo	31				
Cape Town	21				
Cardiff	17				
Cebu	31				
Chennai	31				
Colombo	31				
Copenhagen	18				
Dakar	31				
Dallas	31				
Dhaka	31				
Dubai	31				
Dublin	18				
Durban	26				
Edinburgh	15				
Faro	24				
Frankfurt	24				
Geneva	24				
Glasgow	19				
Hamburg	27				
Helsinki	15				
Hong Kong	32				
Honolulu	31				
Istanbul	31				
Jakarta	31				
Jersey	15				
Karachi	31				
Kuala Lumpur	31				
Las Vegas	26				
Lima	26				
Lisbon	26				
London	17				
Luxembourg	21				
Lyon	21				
Madrid	31				
Manila	31				
Maracaibo	31				
Medan	31				
Memphis	31				
Mexico City	31				
Miami	31				
Montreal					

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FINANCIAL TIMES COMPANIES & MARKETS

Monday June 30 1997

Week 27

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IN BRIEF

AT&T and SBC drop merger plan

The prospect of a new wave of large acquisitions in the US telecommunications industry receded over the weekend as it emerged that AT&T and SBC Communications had given up their pursuit of a merger. Regulators feared the combination of the two companies would hamper competition in the \$200bn US telephone market. Page 22

BSkyB tries to turn negative sentiment
Sam Chisholm, chief executive of British Sky Broadcasting, is trying to persuade institutions that the negative sentiment to the satellite venture in the City of London has been overcome. More than £3.5bn (\$5.77bn) has been wiped off the value of BSkyB this year. Page 20

Fidelity to set up broker in Japan
Fidelity, the world's largest mutual fund company, has been granted permission to set up a stock broking business in Japan. Fidelity plans to become the first foreign group to offer US-style telephone investment services directly to Japanese investors. Page 21

RBC in \$1.7bn bid for London Life
Royal Bank of Canada has made a friendly \$2.4bn (\$1.7bn) offer for London Life, Canada's biggest underwriter of individual life policies. The bid marks the most ambitious diversification by a Canadian bank since deregulation of financial services began a decade ago. Page 23

Cement merger proposed for Spain
Ciments Francès, the French cement producer controlled by Italcementi, the Italian group, has proposed a merger in Spain which would create the country's second-largest cement concern. Its plan would involve its Spanish subsidiary Financiera y Minera being absorbed by Cementos Molins, a Barcelona-based company, 38 per cent of which it already controls. Page 20

Sultan of Brunei buys London property
Greycoat, the UK property company, is to confirm that it will sell Embankment Place in London for £210m (\$346m) to two offshore companies controlled by the Sultan of Brunei. Page 20

Two bids for Düsseldorf airport
The German state of North Rhine-Westphalia has narrowed its selection for the sale of 50 per cent of Düsseldorf airport to two consortia, one led by the Harpen concern, and the other by Hochtief, the construction company. Page 20

NatWest tries to force Barclays' hand
National Westminster Bank, the large UK banking group, has asked the country's Takeover Panel to force its rival Barclays to make an "unequivocal statement" about whether it intends to launch a bid. Page 20

Texas Instruments to delist in Tokyo
Texas Instruments, the US semiconductor manufacturer, is to delist from the foreign section of the Tokyo Stock Exchange. It said there was little advantage in being listed in Tokyo because of slow trading in foreign stocks. Page 22

Anheuser-Busch's Mexican purchase
Anheuser-Busch, the US brewer, is increasing its stake in Grupo Modelo, the Mexican brewer, by buying a further 13.25 per cent of the company for about \$650m. The purchase will lift Anheuser-Busch's stake to 50.2 per cent. Page 20

Front runner for top job at Railtrack
Mr Gerald Corbett, finance director until last week of the UK food and drinks group Grand Metropolitan, has emerged as a front runner to take over as chief executive of Railtrack, the company which owns railway track, stations and signalling in the UK. Page 20

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Eurotunnel profits demand

UK and France put forward condition for extending concession

By Andrew Jack in Paris and William Lewis in London

The British and French governments are demanding a share of future profits earned by Eurotunnel in exchange for extending the length of its operating concession.

Mr Patrick Ponsolle, Eurotunnel's chairman, indicated in an interview that the two countries were likely to agree in principle "in the days to come" to grant the company the right to continue operating the Channel tunnel rail link after the current expiry date in 2003.

Mr Ponsolle said he was willing to share future profits with the governments, but only on condition that shareholders also received "a decent return" and that no such additional payments were levied until after 2003.

He also said Eurotunnel would do "everything in its power" to encourage more long-haul rail freight traffic to use the tunnel - a second demand made by the British government.

However, he argued that Eurotunnel's powers were limited, given the need for action

by other railway operators to entice more freight haulage companies away from road transport. Mr Ponsolle added that he did not believe lowering the tunnel's tolls would make a significant difference to freight volumes.

Mr Ponsolle warned that if shareholders rejected the £9bn (\$14.8bn) debt restructuring plan currently under discussion with its 174 creditor banks, the probability of investors receiving any return was "zero". He said it would bring about "a form of collective suicide".

He said Eurotunnel would be forced to file for bankruptcy in the days following the extraordinary general meeting scheduled for July 10, if dissenting shareholders achieved a blocking minority of 25 per cent of those present and prevented the plan from being approved.

He said the banks had clearly indicated that they were unwilling to renegotiate the restructuring agreement, and would quickly push for their right of "substitution", allowing them to appoint another operator in place of Eurotunnel.

Mr Ponsolle's comments



Eurotunnel chairman Patrick Ponsolle, warning of bankruptcy

came as pressure on the company was increasing in the days ahead of the July 10 meeting. At least two French organisations collecting proxies have said they will vote against the restructuring plan.

Pirc, the UK corporate governance body, is urging shareholders to vote for the restructuring plan. "Share-

holders should not risk the loss of equity by rejecting the restructuring," Pirc said.

Pirc said that "on balance we consider that the proposals are not detrimental to shareholders given the current financial context of the company and the more favourable financial environment which the deal would create". Mr Ponsolle hinted that he would

resign if shareholders blocked the plan. "I am so convinced that a 'no' vote will bring about the ruin of shareholders and be an extraordinary risk for the company... that if they consider what has been done is insufficient, I will assume the consequences," he said.

Lex, Page 18

Magneti Marelli to acquire Brazilian company

By Jonathan Wheatley in São Paulo

Magneti Marelli, the Italian vehicle component manufacturer controlled by the Fiat group, is to buy control of Cofap, Brazil's largest component maker. The deal marks another step in the restructuring of Brazil's vehicle components industry.

Magneti Marelli said it would buy 70 per cent of Cofap's voting capital: 30 per cent from Bradesco, Brazil's biggest private sector bank, and 40 per cent from the nephews of Cofap's founder, Mr Abraham Kasinski. The deal depends on completion of "due diligence" procedures and its value has not been disclosed, although it is estimated at between \$120m and \$200m.

A further 11 per cent of voting stock held by Mr Kasinski is due to be sold to Mahle, the German parts maker, by July 11. Bradesco will retain a 10 per cent stake.

The deal follows the sale on June 26 last year of control of Metal Leve, a leading Brazilian maker of engine pistons, to a consortium formed by Cofap, Mahle and Bradesco. Under the terms of the sale, the buyers had one year in which to agree redistribution of control of the resulting conglomerate.

The companies declined to comment on the deal, but industry figures said privately that Magneti Marelli's involvement followed the failure of Mahle and Cofap to agree terms and that a further redistribution of control, with Mahle taking a bigger stake in a restructured Cofap, was likely.

The new group is expected to take advantage of synergies between its companies' businesses areas. Cofap's main products are shock absorbers, engine components, particularly piston rings, and exhaust systems. Mahle is the world's biggest maker of pistons, while Magneti Marelli's products include instruments, electronic fuel injection systems, starter motors and exhaust systems.

The deal comes amid big changes affecting Brazil's vehicle components industry. The trend towards "global sourcing", with vehicle manufacturers demanding supply of standardised parts to factories around the world, has led to a wave of mergers and acquisitions between local and multinational component makers.

At the same time, the increasing openness of Brazil's markets has exposed many small, under-equipped parts makers to strong foreign competition.

Reuters falls behind rival EBS on electronic broking market

By Simon Kuper

Reuters, the media giant, is falling behind rival EBS in the race to dominate electronic broking in the \$500bn-a-day foreign exchange spot market.

An daily average of 21,000 "matches", or currency deals, were completed on Reuters' electronic spot broking system in the first quarter of this year, according to documents obtained by the Financial Times. That compares with an average 24,000 for EBS, a system owned by a consortium of leading foreign exchange banks.

Reuters launched its 2000-2 spot broking system in 1992, followed a year later by EBS. The two systems allow forex traders to buy or sell currencies simply by pressing but-

tons on their screens. The systems have sharply cut the market share of the traditional "voice brokers", which match buyers and sellers by telephone.

The figures, from a recent Reuters presentation to clients in New York, suggest that EBS may have a significantly bigger market share than Reuters. The average deal on EBS is worth more than \$3m, compared with less than \$2m on Reuters' 2000-2. About \$100bn is dealt on EBS each day, and the system claims 37 per cent of all spot broking in London, the world's biggest forex market.

Reuters said: "We would acknowledge the fact that the size of EBS's deals is bigger than our deals. Their shareholders are the large forex

banks." The Reuters' spot broking system is used by 1,212 bank branches, compared with 650 that take EBS. However, many of Reuters' banks are small and transact relatively minor currency deals.

Mr Richard Comotto, foreign exchange consultant, said: "If credit issues are overcome, you might see the migration to one system, and there is little doubt that that system would be EBS, at least in the major currency pairs."

Mrs Rosalyn Wilton, managing director of transaction products at Reuters, said: "The market has demonstrated its desire for more than one electronic broker, particularly for major currencies." The existence of two leading electronic brokers reduced systemic risk, she said.

Reuters does not publicly reveal data regarding its 2000-2 system. However, the documents obtained by the FT showed that Reuters had tripled its number of daily "matches" since the start of 1995. EBS figures also reveal sharp growth: the two systems' combined share of dollar/yen spot broking in Tokyo has risen from less than 30 per cent to almost 70 per cent since April 1995.

One hope for Reuters is that it is stronger than EBS in the fast growing emerging-market currencies. This year it has launched broking in the Czech koruna, the Mexican peso and the Greek drachma.

This month Reuters launched a trading system in the \$670bn foreign exchange forwards market.

El Niño biggest climate threat to crops in 50 years

By Gary Mead

Climate disruption caused by the warming of the Pacific ocean, known as El Niño, is threatening to drive prices of agricultural commodities sharply higher in the next few months.

Scientists fear that the effects of El Niño could be the worst for 50 years, producing droughts in some countries and floods in others. "We are seeing a major El Niño development in the central Pacific region and we are certain that it will be as big as anything in the last 50 years. The only thing we are not sure about is if it will be the biggest, or simply one of the top three of the past five decades," said Mr Ants Leetmaa, director of the Climate Prediction Centre for the National Weather Service, part of the US National Oceanic and Atmospheric Administration.

The economic consequences for nations that depend on production and export of essential commodities such as sugar, cocoa, coffee and tea, could be enormous, according to Mr Leetmaa and other US scientists monitoring climate change.

The last severe El Niño effect occurred in 1982-83. It was responsible for billions of dollars' worth of damage to crops around the world, livestock and property in the US, Latin America, the Far East and Africa. South Africa was reduced to a significant regional grain producer to an importer of 1.5m tonnes of corn.

El Niño is the term for an

abnormal state of the ocean-atmosphere system in the tropical Pacific, carrying serious implications for global weather systems. El Niño, which in Spanish means the Christ child, acquired its name because its full impact generally coincides with Christmas.

The NOAA's forecast for this year's El Niño says the consequences will be "increased rainfall across the southern tier of the US and in Peru, sometimes resulting in destructive flooding; and drought in north-east Brazil, south-eastern Africa, and the west Pacific".

Many of these areas are producers of sugar, leading commodity analysts to predict that sugar crops could decline by as much as 20 per cent next year. Thailand's Cane Sugar Board has forecast a fall of between 10 per cent and 15 per cent in the country's sugar production to 5m tonnes this year, because of drought.

Kenya's tea crop is down by at least 20 per cent as a result of drought, which has also affected Jamaican agriculture. Australia has forecast that drought will cut the value of its agricultural exports by 5 per cent in 1997-98.

El Niño's heavy rains can be just as devastating. Mr José Carval, president of Ecuador's National Cocoa Exporters Association, said: "If this El Niño current phenomenon continues, producing heavy rains, then damage to the Christmas crop is expected." Peru has declared a state of emergency in nine of its 24 regions, in preparation for El Niño-related disasters expected this year.

Communication Infrastructure in the City of Copenhagen

(translated version from the original and binding Danish text)

The City of Copenhagen plans to carry through a tender during the autumn of 1997 for a number of the facilities and structures of the City of Copenhagen which may be used for the establishment of communication infrastructures.

The tender is expected to include a wide range of facilities and structures which may either individually or in combinations function as low level building blocks in back bone and subscriber loop communication infrastructures within the area of the City of Copenhagen.

- The Copenhagen Energy has already installed and operates an optical fibre network with a total cable length of approx. 250 km and with a total fibre length of approx. 1,500 km;
- The Copenhagen Energy has already installed and operates a communication network including pipe tracers of a total length of approx. 150 km;
- The Copenhagen Firebrigade has already installed and administers a communication network including approx. 70 km of pipe tracers;
- The Copenhagen Sewerage Department owns and administers approx. 800 km of sewer lines;
- The City of Copenhagen administers land areas and approx. 200 buildings suitable for installation of antennas;
- The City of Copenhagen administers more than approx. 500 buildings suitable for installation of communication equipment.

Please find a preliminary description of all the facilities and structures in the "Invitation to Declaration of Interest" below.

It should be pointed out that the City of Copenhagen is developing a GIS system. The main idea of the intended tender is to make the above-mentioned facilities and structures or parts thereof available to one or more interested parties against payment. However, the actual scope and legal form of the accessibility to the facilities and structures still need to be settled.

All interested parties are hereby invited to submit a declaration of their special needs, wishes and possibilities for making use of the mentioned facilities and structures with a view to helping assisting the City of Copenhagen in preparing and arranging the intended tender. All declarations of interest must be submitted in writing no later than Monday 18 August 1997 at 12:00 AM (Central European time) to the consultancy firm assisting the City of Copenhagen in the tender procedure:

Andersen Management International A/S
Att: Kurt Schou
Strandgade 24
DK-1401 Copenhagen K
Denmark
telephone: +45 32 96 64 32
fax: +45 32 96 64 33

More detailed terms and conditions for the submission of a declaration of interest will follow in the "Invitation to Declaration of Interest" which will be available as of Monday 30 June 1997 from Andersen Management International A/S at the above-mentioned address. The document may also be downloaded from the Internet from the City of Copenhagen's web page www.kbhbase.copenhagen.dk.

Besides, the "Invitation to Declaration of Interest" includes a description of the City of Copenhagen's wishes regarding the subject matters of the declarations of interest.

The City of Copenhagen reserves the right to utilise any submitted proposals as further described in the "Invitation to Declaration of Interest". It is not a condition for participation in the intended tender procedure to have submitted such declaration of interest.

The actual implementation of the tender procedure implies acceptance by the City Council, and the City of Copenhagen is not by inviting declarations of interest committed carrying through this process of declarations of interest to carry on the actual tender.

Any costs incurred by the interested parties in the declaration of interest process will be of no concern whatsoever to the City of Copenhagen.

COMPANIES AND FINANCE

GrandMet man emerges as frontrunner for chief executive post
Railtrack succession gauged

By Charles Batchelor and Christopher Price

Mr Gerald Corbett, finance director until last week of the food and drinks group Grand Metropolitan, has emerged as a frontrunner to take over as chief executive of Railtrack, the owner of railway track, stations and signalling.

Railtrack, which was floated in May 1996, is looking to replace Mr John Edmonds, a long time railwayman, who is due to retire next March.

The company said yesterday that no appointment had been made but "it is no secret that we are looking to replace Mr Edmonds". It added: "Various people have been approached over the last few weeks." However, it is understood that while no formal offer has been made to Mr Corbett, he heads a short-list for the post.

Railtrack is going through a critical phase as it faces the prospect that the government or the rail regulator, Mr John Swift, will impose tighter

regulation on its activities. The company last week backed down from confrontation with the regulator, agreeing for him to have stronger powers of enforcement over its investment programme.

Mr Corbett, 45, stepped down after Guinness merged with Guinness, Mr Philip Yea, was appointed finance director of the combined group.

After attending Oxford, and the Harvard and London business schools, Mr Corbett became financial controller at Dixons, the electrical retailer. He later went to Redland, the building materials group, and joined GrandMet in 1993. He received a £600,000 severance payment from GrandMet.

Mr Edmonds and the Railtrack chairman, Sir Robert Horton, are currently engaged in a programme known as C-Change to create a more commercial culture in a company employing 11,000 people from both British Rail and the private sector. The company's shares



Gerald Corbett: former finance director at GrandMet

were floated at 30p and are currently at 61p, but it has been at the centre of controversy with criticism of its monopoly position and its failure to respond quickly enough to the demands of the train operators and to the investment targets set by the regulator.

NatWest calls for 'official' bid statement

By William Lewis, Investment Correspondent

National Westminster Bank has asked the Takeover Panel to force its rival Barclays to make an "unequivocal statement" about its bid intentions.

NatWest is concerned that reports that Barclays is considering launching a takeover have caused anxiety among its staff.

"Takeover Panel rules are meant to protect people from these sorts of things," NatWest said yesterday. "We have already spoken to the Takeover Panel and asked them to say 'what is going on'. This was much more than a market rumour... we want it to get Barclays to make an unequivocal statement."

However, Barclays said yesterday that it had not been contacted.

Barclays reiterated comments it made last week that reports about a possible takeover of NatWest are "rumour and speculation". Like all companies we naturally expect to monitor developments in our industry.

A merger between the two banks is thought unlikely to be approved on competition grounds. NatWest and Barclays both have a big share of the small and medium-sized business banking market and there is concern that there is already an

insufficient level of competition for small business customers.

Reports about a possible Barclays takeover followed revelations that NatWest approached Abbey National earlier this year about a possible tie-up.

NatWest described as "complete nonsense" suggestions that at least one of its largest shareholders wants to link with the Prudential Corporation.

Lord Alexander, the chairman of NatWest, is meeting with shareholders over the next few weeks to clarify its strategy following Mr Martin Owen's resignation as the head of NatWest Markets, its investment banking arm. The meetings come as NatWest is waiting to hear if the Serious Fraud Office is to investigate a £77m loss caused by mispricing of options in NatWest Markets.

Last week NatWest announced the departure of six managers who failed to prevent the loss.

Barclays said yesterday that Mr Martin Taylor, chief executive, was "wholly committed to Barclays" following a report that he had been offered two full-time government jobs. Last month the government announced that Mr Taylor would be heading, part-time, a civil service taskforce to look at the disincentives to work built into the tax and benefits systems.

BSkyB chief to explain strategy

By Raymond Snoddy

Mr Sam Chisholm, chief executive of British Sky Broadcasting, plans to visit institutions in the next few weeks to try to persuade them that the present negative sentiment to the satellite venture in the City is overdone.

More than £3.5bn (\$5.8bn) has been wiped off the value of BSkyB as the share price plummeted from a high of 66p to 45p.

Mr Chisholm plans to go with Mr David Chance, his deputy, and Mr Richard Brook, finance director, to explain the BSkyB case and plans to launch 200 channels of digital television in the spring and interactive services next summer.

Sunday newspaper reports that Mr Rupert Murdoch, chairman of News Corporation, is planning a buy-back of BSkyB shares seen wide of the mark. The fall in BSkyB's share price started with news that Mr Chisholm and Mr Chance were leaving

BSkyB at the end of the year for health reasons and that Mr Mark Booth would take over.

Mr Chance may stay on until July 1998 to ease the period of transition for Mr Booth. The big fall in the share price came after the Independent Television Commission decided BSkyB could not, for competition reasons, be an equity participant in the British Digital Broadcasting consortium.

BSkyB will argue that the deal with the other BDB shareholders, Carlton Communications and Granada, was a good one. The satellite company will get £70m from BDB in compensation for loss of its one-third stake, and a better deal than planned as a programme supplier to the digital terrestrial consortium.

BSkyB will have to meet City scepticism that it can drive its business forward at the same rate as in the past and boost the sale of satellite dishes when new digital systems are in the pipeline.

NEWS DIGEST

Cement merger set for Spain

Ciments Français, the French cement producer controlled by Italcementi, the Italian group, has proposed a merger in Spain which would create the country's second-largest cement concern.

Its plan would involve its Spanish subsidiary Financiera y Minera being absorbed by Cementos Molins, a Barcelona-based company, 39 per cent of which it already controls.

The merger proposal, which follows efforts to secure majority control of Cementos Molins, who hold 52 per cent of the shares. However, Mr Marc Desgranges, chairman of Financiera y Minera, described the offer as "friendly".

A merger would create a group with annual sales of about \$400m (\$400m), about half the size of the sector leader Valenciano de Cementos, which is controlled by Mexico's Cemex. Cementos Molins is one of the last companies under majority Spanish control in the sector, in which Lafarge of France and Holderbank of Switzerland have significant stakes.

The proposed merger gives Italcementi, which took over Ciments Français in 1992, a vehicle for expansion in Latin America. Cementos Molins has operations in Mexico, Uruguay and Argentina.

David White, Madrid

Granville advances 32%

Granville, the specialist investment banking group, boosted pre-tax net profits to \$3.4m (\$3.4m) in 1996, a rise of 32 per cent on the previous year. The company - one of a small number of independent investment banking operations not to have been taken over - also saw earnings per share grow by 26 per cent to 51.2p in 1996.

The group specialises in information technology and investment management advice to the security and recruitment sector. Mr Robin Hodgson, chairman of Granville, attributed the group's success to its strategy of specialising in a small number of core areas.

As part of this strategy, Granville recently launched Megabyte, an IT research product, and acquired the fund management contract for Eglet Investment Trust - the foundation of an institutional fund management business in quoted growth companies. Group turnover rose by 20 per cent to £21.2m in 1996.

Edward Luce

Greenwich plans Names offer

Greenwich, a members' agency at Lloyd's of London, plans to float an investment company on Aim which would offer Names at the insurance market a way to convert from unlimited to limited liability.

The latest of several such schemes responding to changes in Lloyd's capital structure, it would be available for the 1998 underwriting year and have a market capitalisation of about £1.7m (\$2.8m). Greenwich says just under 300 out of 825 Names, the individuals backing Lloyd's, whose affairs it handles, had expressed an interest in converting.

Unlimited liability has traditionally provided Names with a high return on capital and certain tax advantages. However, recent losses at Lloyd's have illustrated its drawbacks and the insurance market raised safety requirements this year, making unlimited liability less attractive.

Christopher Adams

Düsseldorf airport, two bids

The German state of North Rhine Westphalia has narrowed its selection for the sale of 50 per cent of Düsseldorf airport to two consortia, one led by the Harpen concern, and the other by Hochtief, the construction company. A final decision is expected in September. The airport is owned jointly by the city of Düsseldorf and the state of North Rhine Westphalia.

The Harpen grouping includes the Airport Group of the US, while the consortium led by Hochtief includes Aer Rianta of Ireland.

Graham Bouley, Frankfurt

Anheuser-Busch in \$550m buy

Anheuser-Busch, the US brewer, said it was increasing its stake in Grupo Modelo, the Mexican brewer, by buying a further 13.25 per cent of the company's shares at a cost of just over \$550m (\$550m). The purchase will take its total stake to 50.2 per cent, for which it will have paid a total of \$1.6bn.

Mr August Busch, chairman and president, said Mexico was the seventh biggest beer market in the world, and Grupo Modelo had a 57 per cent share. "With highly favourable demographics and relatively low per capita consumption, there is significant potential growth in this market," he said.

Richard Tomkins, New York

Greycoat makes £210m disposal

By Edward Luce

Greycoat, the property company, will today confirm that it is to sell Embankment Place for £210m (\$346.5m) to two offshore companies controlled by the Sultan of Brunei.

The sale of the property - situated next to Charing Cross station in London - will enable the company to stave off lingering shareholder discontent by offering to buy back up to 25 per cent

of the company's shares.

Greycoat recently survived an attempt by UK Active Value, a dissident investment fund led by the South African businessman, Mr Brian Myerson and Mr Julian Treger, to liquidate the company and dispose of its £500m property portfolio.

The sale will enable Greycoat to buy back up to a quarter of the equity in the company, which analysts say is worth 170p a share on a net asset value calculation.

This is an 8 per cent premium to the company's closing price on Friday.

The company, which also recently survived a takeover threat by Moorfield Estates, is expected to be left with about £50m from the sale to put into the buy-back scheme. The disposal of Embankment Place - currently occupied by Coopers & Lybrand - will enable Greycoat to focus its activities on the buoyant property market in the City of London.

Shareholders had previously expected the company to distribute the proceeds of the sale in the form of a special dividend.

UKAV, which owns 10.3 per cent of the company, is expected to be placated by the move. Only 5 per cent of those who voted at the meeting last December supported UKAV's move to liquidate the company.

The £210m price is at the upper end of estimates of the property's value.

This announcement which is addressed to the holders of the bearer bonds described below is neither an offer to purchase nor a solicitation of an offer to sell these bonds. Each of the Offers is made solely by the relevant Offer to Purchase of The Mitsubishi Trust and Banking Corporation dated 30 June 1997 and the related Letter of Transmittal and is not being made to, and offers will not be accepted from, or on behalf of, holders of these bonds in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction.

Offers by



The Mitsubishi Trust and Banking Corporation

to the Holders of the Bearer Bonds described herein

to purchase for cash

any and all outstanding

1 1/4 per cent. Convertible Bonds Due 2002

and

any and all outstanding

3 1/4 per cent. Convertible Bonds Due 2003

issued by

The Mitsubishi Trust and Banking Corporation

1 1/4 per cent. Convertible Bonds Due 2002

COMMON CODE: 001028383

ISIN No: GB0045986869

The Mitsubishi Trust and Banking Corporation (the "Bank") is offering to purchase for cash any and all of its outstanding 1 1/4 per cent. Convertible Bonds Due 2002 (the "Bonds") together with all unsecured coupons relating thereto (the "Coupons") at a price per US\$1,000 principal amount of Bonds to be determined as described below, plus accrued interest from 31 March 1997 to, but not including, the date of payment of such Bonds by the Bank (the "Settlement Date"), upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal relating to the Bonds (which together constitute the "Offer").

The purchase price per US\$1,000 principal amount of Bonds (in the case shall be ascertained pursuant to the Offer (the "Tender Price") will be calculated in accordance with standard market practice and assuming each Bond will be repaid on the maturity date at the principal amount thereof plus accrued interest to (but excluding) the maturity date, and will be equal to the sum (expressed as a percentage of the principal amount of a Bond and rounded, if necessary, to three decimal places) of (i) the price of a Bond (expressed as a percentage of the principal amount of a Bond) calculated by reference to the yield to maturity of the 6 1/2 per cent U.S. Treasury Note Due August 2000 based on the bid price displayed on the relevant page of the Bloomberg Government Pricing Monitor (for the relevant page of any other recognized quotation system selected by Lehman Brothers International (Europe), as Dealer Manager, if the relevant page of the Bloomberg Government Pricing Monitor is unavailable or manifestly inaccurate at or around 5:00 p.m. London time on 14 July 1997 (or such other date as shall be at least eleven New York Business Days prior to (but excluding) the Expiration Date) (the "Calculation Date") (as defined in the Offer), (ii) an amount of 0.34 per cent, and (iii) the product of the Tender Formula (as set out below), provided that as on or after the Tender Price covered 97.00 per cent.

"Tender Formula" means the following (expressed as a percentage):

$$0.34 + 94.00 \cdot \left[\frac{112.87}{\text{Yen/Dollar Rate}} - 1 \right]$$

"Yen/Dollar Rate" means the midpoint foreign exchange quotation as at 10:00 a.m. (New York City time) (expressed as the Yen equivalent of US\$ 1.00) from the New York interbank market, as certified by the Federal Reserve Bank of New York for customs purposes (or such other recognized quotation selected by the Dealer Manager, if such midpoint foreign exchange quotation is unavailable or manifestly inaccurate) on the Calculation Date.

As of 25 June 1997, the Tender Price per US\$1,000 principal amount of Bonds equals US\$1,047.00 (comprising 94.00 per cent of the principal amount of a Bond). The Tender Price will be recalculated on the foregoing basis on the Calculation Date (which shall be the date of the Tender Price being referred to as the "Final Tender Price"). The Final Tender Price will be announced not later than the tenth New York Business Day prior to (but excluding) the Expiration Date. The Final Tender Price will be the price paid in respect of all Bonds validly tendered and not properly withdrawn pursuant to the Offer, which are accepted for payment pursuant to the Offer.

3 1/4 per cent. Convertible Bonds Due 2003

COMMON CODE: 001031288

ISIN No: GB0045991519

The Mitsubishi Trust and Banking Corporation (the "Bank") is offering to purchase for cash any and all of its outstanding 3 1/4 per cent. Convertible Bonds Due 2003 (the "Bonds") together with all unsecured coupons relating thereto (the "Coupons") at a price per US\$1,000 principal amount of Bonds to be determined as described below, plus accrued interest from 31 March 1997 to, but not including, the date of payment of such Bonds by the Bank (the "Settlement Date"), upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal relating to the Bonds (which together constitute the "Offer").

The purchase price per US\$1,000 principal amount of Bonds (in the case shall be ascertained pursuant to the Offer (the "Tender Price") will be calculated in accordance with standard market practice and assuming each Bond will be repaid on the maturity date at the principal amount thereof plus accrued interest to (but excluding) the maturity date, and will be equal to the sum (expressed as a percentage of the principal amount of a Bond and rounded, if necessary, to three decimal places) of (i) the price of a Bond (expressed as a percentage of the principal amount of a Bond) calculated by reference to the yield to maturity of the 7 1/2 per cent U.S. Treasury Note Due August 2000 based on the bid price displayed on the relevant page of the Bloomberg Government Pricing Monitor (for the relevant page of any other recognized quotation system selected by Lehman Brothers International (Europe), as Dealer Manager, if the relevant page of the Bloomberg Government Pricing Monitor is unavailable or manifestly inaccurate at or around 5:00 p.m. London time on 14 July 1997 (or such other date as shall be at least eleven New York Business Days prior to (but excluding) the Expiration Date) (the "Calculation Date") (as defined in the Offer), (ii) an amount of 0.34 per cent, and (iii) the product of the Tender Formula (as set out below), provided that as on or after the Tender Price covered 98.90 per cent.

"Tender Formula" means the following (expressed as a percentage):

$$0.34 + 97.90 \cdot \left[\frac{112.87}{\text{Yen/Dollar Rate}} - 1 \right]$$

"Yen/Dollar Rate" means the midpoint foreign exchange quotation as at 10:00 a.m. (New York City time) (expressed as the Yen equivalent of US\$ 1.00) from the New York interbank market, as certified by the Federal Reserve Bank of New York for customs purposes (or such other recognized quotation selected by the Dealer Manager, if such midpoint foreign exchange quotation is unavailable or manifestly inaccurate) on the Calculation Date.

As of 25 June 1997, the Tender Price per US\$1,000 principal amount of Bonds equals US\$1,047.90 (comprising 97.90 per cent of the principal amount of a Bond). The Tender Price will be recalculated on the foregoing basis on the Calculation Date (which shall be the date of the Tender Price being referred to as the "Final Tender Price"). The Final Tender Price will be announced not later than the tenth New York Business Day prior to (but excluding) the Expiration Date. The Final Tender Price will be the price paid in respect of all Bonds validly tendered and not properly withdrawn pursuant to the Offer, which are accepted for payment pursuant to the Offer.

THE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON 30 JULY 1997, UNLESS EXTENDED (AS THE SAME MAY BE EXTENDED, THE "EXPIRATION DATE").

Each Offer is contingent upon certain conditions set out in the relevant Offer to Purchase but is not contingent on a minimum principal amount of Bonds being tendered or on the completion of the other Offer.

Reasons for copies of the respective Offers to Purchase, the related Letter of Transmittal and other relevant information should be directed to:

The Dealer Manager:

Lehman Brothers

In London:
Lehman Brothers International
(Europe)
One Broadgate, 4th Floor
London EC2M 7YJ
Attention: Mr Jeff Blue
Tel: +44 (0) 20 7693 7777
(call collect)

In New York:
Lehman Brothers Inc.
Three World Financial Center
New York, New York 10288
Attention: Mr Gregory Bates
Tel: +1 (212) 326 7333
(call collect) or
+1 (800) 775 9524

In Tokyo:
Lehman Brothers Japan Inc.
Asia Pacific Building
12-33, Akasaka 1-chome
Minato-ku, Tokyo 107
Attention: Mr Yumiko Ochiai
Tel: +81 (3) 571 7037
(call collect)

The Tender Agents:

Mitsubishi Trust International Limited

In London:
Mitsubishi Trust International Limited
24 Lombard Street
London EC3V 9AJ
Attention: Mr Yoshinori Ichikawa
Tel: +44 (0) 20 7393 4591
(call collect)

Salomon Brothers International Limited

In London:
Salomon Brothers International Limited
Victoria Place
111 Buckingham Palace Road
London SW1W 0SS
Attention: Harish Bhatnagar
Tel: +44 (0) 20 723 1463
(call collect)

In New York:
Salomon Brothers Inc.
Sever World Trade Center
New York, New York 10048
Attention: Peter DeFino
Tel: +1 (212) 763 2118
(call collect)

In Tokyo:
Salomon Brothers Asia Limited
Asia Pacific Building
12-33, Akasaka 1-chome
Minato-ku, Tokyo 107
Attention: Mr Nobuo Furukawa
Tel: +81 (3) 571 4306
(call collect)

LEHMAN BROTHERS

Dealer Manager

30 June 1997

GT DEUTSCHLAND FUND

SICAV (in liquidation)

2, Boulevard Royal

Luxembourg

R.C. Luxembourg B-25823

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of GT DEUTSCHLAND FUND (the "Fund") will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on July 8, 1997 at 9 a.m. to consider the report of the liquidator, and if thought fit to pass the following resolutions:

1. to approve the report of the liquidator;
2. to appoint the auditors in the liquidation in accordance with Article 151 of the law on commercial companies;
3. to fix July 8, 1997 at 4.00 p.m. as date for a further Shareholder's Meeting to decide on the close of liquidation.

Shareholders are informed that at this Meeting, no quorum is required for the holding of the meeting and the decision will be passed by a simple majority of the shareholders present in person or by proxy and voting.

Holders of bearer shares who wish to attend the meeting, should deposit their share certificate(s) with Banque Internationale à Luxembourg SA, 69, route d'Esch, L-1470 Luxembourg by no later than 5.30 p.m. (Luxembourg time) on July 7, 1997.

The Liquidator

Notice of suspended dealing

Barclays Investment Funds (Channel Islands) Limited

AUSTRALIAN EQUITY FUND

In order to facilitate the proposed merger of the assets of the Australian Equity Share Class of Barclays Investment Funds (Channel Islands) Limited with those of the Pacific Equity Fund, a Share Class of Barclays Investment Funds (Luxembourg) SICAV, it is necessary to suspend dealing in the Australian Equity Fund with effect from Monday 7th July 1997 until such time as the said merger has been completed.

by order of Barclays Unicorn International (Channel Islands) Limited

BARCLAYS INTERNATIONAL FUNDS

COMPANIES AND FINANCE

Gazprom edges to the west

Foreign investors, who for the first time attended Gazprom's annual meeting, were greeted on Saturday with all the trappings of a western-style corporate presentation. But when Mr Rem Vyakhirev, chairman, apologised to shareholders for his hoarse voice, which he said was due to an "incident" on Friday night, it was a reminder that Gazprom's evolution into a truly international energy group is secondary to fighting its political battles at home.

The previous evening Mr Vyakhirev and his political allies fought off the latest attempt by young government reformers to wrest control of the world's largest natural gas producer. The wrangle delayed publication of the group's first set of accounts drawn up to international standards, promised when about 2 per cent of Gazprom shares were offered to international investors last year.

The strains of Gazprom's twin focus were evident on Saturday. Mr Vyakhirev acknowledged it was becoming more difficult to reconcile the strategy of expanding Gazprom's role as Europe's largest gas exporter, while fulfilling its

strategic and social functions in Russia.

Although Gazprom contributes a quarter of the country's total tax receipts, Mr Vyakhirev complained of the growing financial burden of chronic non-payments in the domestic gas sector. Two-thirds of Gazprom's production was consumed in Russia last year, but only half of that was paid for, and barter, rather than cash, was the favoured method.

The non-payments threaten the pace of the company's most important construction projects. Capital expenditure in the gas fields and on more than 146,000km of pipelines had fallen in 1996 to Rb40,000bn (\$8.94bn), a third less than was planned. "If today we do not begin delaying internal reserves, Gazprom could find itself in an extremely difficult situation," Mr Vyakhirev warned.

The company has proposed a 40 per cent discount to customers who pay in cash, although it is unclear how successful that offer will be, given that it is politically impossible for the company to disconnect whole cities or large industrial customers. But promoters of Gazprom shares abroad say only a small shift to cash

payments would be enough to boost domestic profits.

Non-payment also led to some of Gazprom's operating companies failing to pay workers on time, and falling behind in tax payments, a position that Gazprom says has now been rectified.

A cost-cutting programme is to follow an earlier restructuring of the group's activities. But Mr Vyakhirev rejected any suggestion that this situation required a more radical restructuring or break-up of the company. Mr Vyakhirev said Gazprom was studying supplying gas to Russia's Far East, the prelude to the possible creation in 10 years' time of a wider gas export grid to Japan, China and South Korea.

But he admitted to shortcomings in the company's approach to its international expansion: "Our main failure was to predict and understand the plans of our competitors." He said journalists and politicians working "on behalf" of competitors created some of the problems. Even so, Gazprom was held in "higher regard" in the west than at home, he said. The fact that it was able to secure multi-billion

dollar credit lines, including the recent \$1bn loan from Credit Lyonnais and Dresdner Kleinwort Benson to pay off its back taxes, proved its good standing.

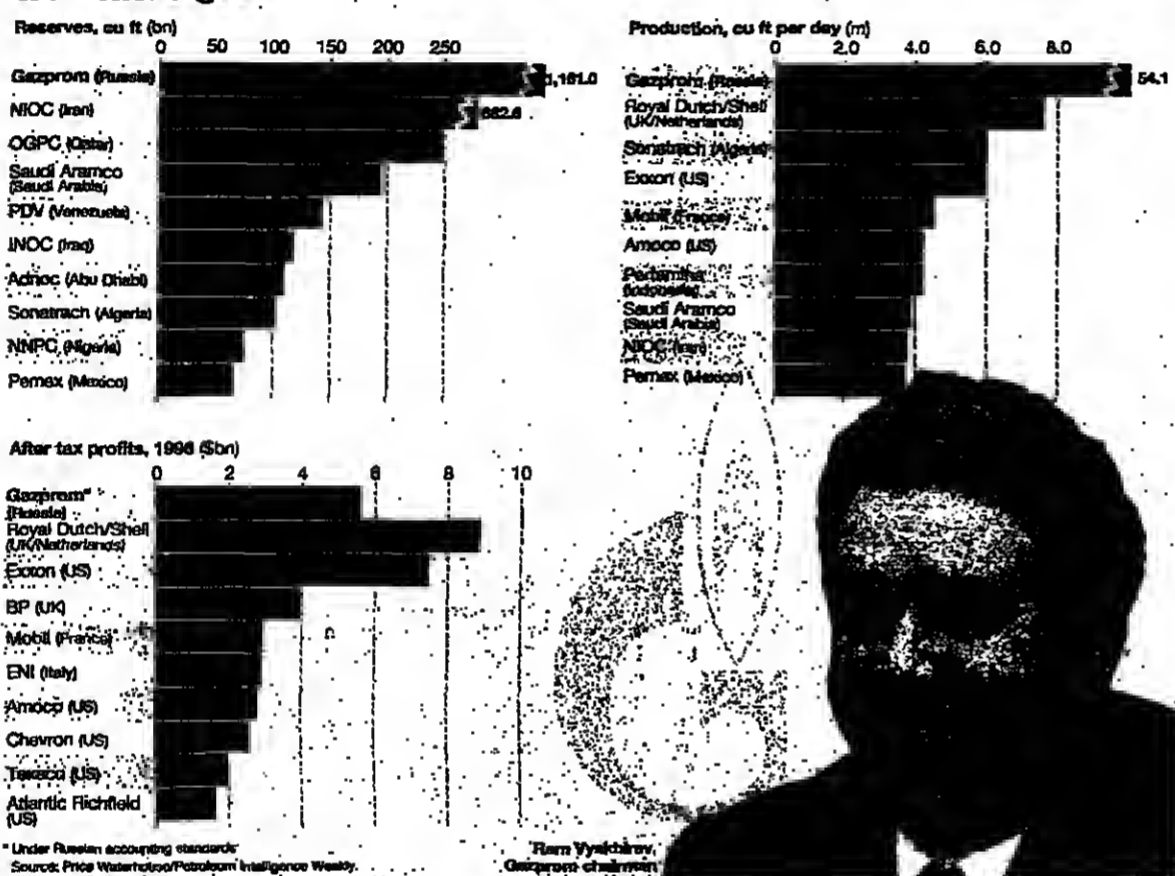
The company's public image in Russia and the west was an issue of interest to some institutional shareholders at the meeting.

Mr Peter Fellegi, a director of Europa Capital Management of Prague and a big holder of Gazprom's ADRs, said "the functioning of the company is better than the image of the company". Concerns about Gazprom's two-tier share structure, and the ring fence that is meant to keep the cheaper domestic shares from leaking into the more expensive ADR issue, had distracted investors' attentions from the group's potential. "On any measure it is undervalued," he said.

But it is Gazprom's relations with the government that is likely to remain the focus of investors' attention for some time to come. Although the broad smiles on the faces of Gazprom officials on Saturday testified to the company's victory over the reformers, executives acknowledged there would be more challenges.

Robert Corzine

Worldwide gas



Fidelity to set up Japan brokerage

By Gillian Tett in Tokyo

Fidelity, the world's largest mutual fund company, was granted permission by the Tokyo government on Friday to set up a stockbrokerage business in Japan.

Fidelity plans to become the first foreign group to offer fully fledged US-style telephone investment services directly to Japanese investors. The move comes amid rising hopes that Japan's "Big Bang" financial deregulation will trigger a rapid growth in the country's mutual fund sector. Japan has had a mutual

fund sector for more than a decade but it is underdeveloped: only 3 per cent of savers' assets are held in mutual funds, far lower than the proportion in the US.

Although more than 50 foreign groups have brokerage licences, none has yet tried to establish a fully fledged independent distribution channel for mutual funds, because of the cost.

Instead, they hope to distribute through Japanese banks, which will soon be allowed to handle funds as part of the reforms. Fidelity hopes that telephone services might help

establish an independent distribution network. Its new Japanese arm, Fidelity brokerage services, will start offering telephone brokerage services with a full range of investment advice to clients later this year. Its mutual fund business will start in early 1998.

Fidelity admits it is unclear how receptive the Japanese public will be towards telephone services.

Citibank, the US bank, has seen a rapid growth in its telephone banking in Japan recently. But trials of telephone brokerage services by Nomura, Japan's largest

securities company, and Mercury Asset Management, the UK fund management group, have had limited success.

Other industry observers suspect that the trigger for the mutual fund business will be when Japanese banks are permitted to distribute funds. Mr George Curuby, a consultant, says: "Fidelity could become a household name in Japan, but it will be on the back of a broader rise in mutual fund ownership." He forecasts that mutual funds will increase from \$380bn to \$1,000bn in the next eight years.

Recommended Cash Offer by Morgan Stanley & Co. Limited on behalf of Acco UK Limited ("Acco") for Nobo Group plc ("Nobo")

Morgan Stanley & Co. Limited ("Morgan Stanley") announces on behalf of Acco that, by means of a formal offer document dated 27 June 1997 (the "Offer Document") despatched on that date, Acco, through Morgan Stanley, is making an offer (the "Offer") to acquire the entire issued and to be issued share capital of Nobo not already owned by the Acco Group. Terms defined in the Offer Document have the same meanings in this advertisement.

The Offer comprises 140p in cash for each Nobo Share. The full terms and conditions of the Offer are set out in the Offer Document. The Offer is not being made directly or indirectly, and this advertisement is not being published or otherwise distributed or sent, and the Offer Document and the accompanying Form of Acceptance are not being mailed or otherwise distributed or sent, in whole or in part, in or into the United States, Canada, Australia or Japan.

The Offer is being made by means of the Offer Document and this advertisement and will be open for acceptance until 3.00 p.m. on 18 July 1997 (or such later time(s) and/or date(s) as Acco may, subject to the rules of the City Code, decide). The Offer is, by means of this advertisement, being extended to all persons to whom the Offer Document may not be despatched who hold or who are entitled to have allotted or issued to them Nobo Shares. Such persons are informed that copies of the Offer Document and Forms of Acceptance are available for collection from either New Issues Department, Independent Registrars Group Limited, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or Acco, The Lodge, Harmondsworth Lane, Harmondsworth, West Drayton, Middlesex, UB7 9LQ, or Morgan Stanley, 25 Cabot Square, Canary Wharf, London E14 4QA.

This advertisement is published on behalf of Acco and has been approved by Morgan Stanley, which is regulated by The Securities and Futures Authority Limited, solely for the purposes of section 57 of the Financial Services Act 1986.

The board of directors of Acco and its parent company, Acco Europe, accept responsibility for the information contained in this advertisement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Morgan Stanley, which is regulated by The Securities and Futures Authority Limited, is acting for Fortune Brands, Inc., Acco and Acco Europe and for no-one else in connection with the Offer and will not be responsible to anyone other than Fortune Brands, Inc., Acco and Acco Europe for providing the protections afforded to customers of Morgan Stanley, nor for providing advice in relation to the Offer.

Dated: 30 June 1997

Wells Fargo & Company
US\$200,000,000
Floating rate subordinated notes due 2000
In accordance with the provisions of the notes, notice is hereby given that for the interest period 30 June 1997 to 31 July 1997 the notes will carry an interest rate of 5.2125% per annum. Interest payable on the relevant interest payment date 31 July 1997 will amount to US\$20.05 per US\$10,000 note and US\$20.25 per US\$20,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

Appointments Advertising

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.

For further information please contact:
Toby Finden-Crofts
+44 0171 873 4027

CONTRACT FOOD AND MANAGEMENT SERVICES • REMOTE SITE MANAGEMENT
SERVICE VOUCHERS • LEISURE SERVICES

HIGHER INTERIM RESULTS

As the world leader in food and management services, Sodexho Alliance makes a world of difference every day, with 142,000 people in 62 countries providing food and management services to companies, government agencies, schools, healthcare institutions, retirement homes, and remote sites, as well as issuing service vouchers and offering river cruises.

* Sodexho Alliance has reported the following financial results for six months ended February 28, 1997:

- Net sales of FRF 14,148,344,000, up 14.1 %
- Operating income of FRF 683,604,000, up 21.8 % due to an improvement in operating margin to 4.8 % from 4.5 % in the year-earlier period.
- Net income less minority interests of FRF 269,391,000, up 26.3 %.

At current exchange rates, net sales for the full 1996/97 fiscal year should reach FRF 28 billion, with net income less minority interests of FRF 535 million.

* Sodexho Alliance recorded a number of important new contracts during the first half:

- Aldershot Garrison in the UK, with the management of all non-military operations on the British Army's home base. The contract represents revenue of GBP 200 million over seven years.
- Shell UK Exploration and Production at Tullis-Aberdeen in the North Sea. The contract represents revenue of GBP 30 million over three years.
- The RAI television company in Turin, Italy.

- Municipal schools in the 1st and 20th arrondissements of Paris and the Beaugency Hospital, in France.
- The DSM chemicals company in Geleen, the Netherlands.
- The Austrian Police, with 35,000 service voucher users per day.
- The California Museum of Science in Los Angeles, USA and the Lido music hall in Paris, France.

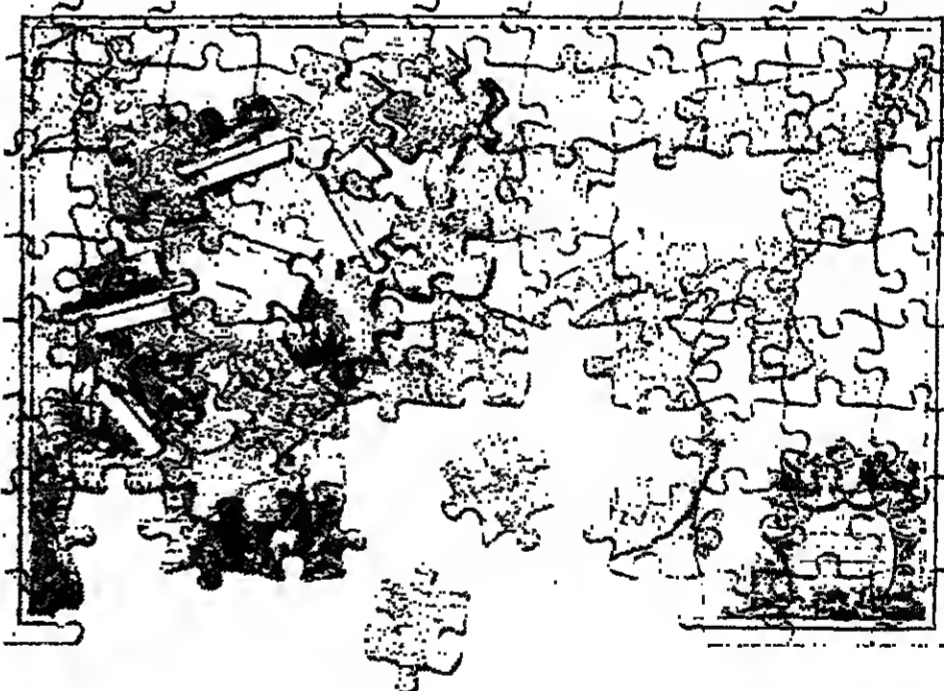
* In March 1997, Sodexho Alliance acquired a 49 % interest in Universal Services, the leading US provider of remote site management services, with annual sales of around FRF 700 million.

* The BELLON S.A. and FINANCIERE SODEXHO holding companies will soon ask shareholders to approve the merger of their two companies before the end of 1997.

The transaction will help to streamline SODEXHO ALLIANCE's ownership structure. Pierre Bellon and his children own 54 % of BELLON S.A., which controls 67 % of FINANCIERE SODEXHO, which in turn holds 44 % of SODEXHO ALLIANCE.

Sodexho
— ALLIANCE —

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Piece by piece the future takes shape.

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COMPANIES AND FINANCE

RBC makes C\$2.4bn offer for London Life

By Bernard Simon in Toronto

Royal Bank of Canada has made a friendly C\$2.4bn (US\$1.74bn) offer for London Life, Canada's biggest underwriter of individual life policies.

The bid marks the most ambitious diversification by a Canadian bank since deregulation of the financial services industry began a decade ago.

RBC has offered shareholders of London Life Insurance Group, London Life's parent, C\$27.50 in cash or a combination of cash and shares. The price is about 25 per cent higher than the price of London Life's shares before news of the offer leaked out earlier this week.

Trilon Financial, which owns 57 per cent of London Life, has agreed to tender its shares. It will pay RBC C\$70m if it withdraws its support in favour of another bid.

London Life, based in London, Ontario, has corporate assets of C\$25.1bn. Some 39 per cent of 1996 revenues,

totaling C\$5.7bn, came from businesses outside Canada, mainly in the US, Barbados, Taiwan and international reinsurance. Some of these operations may be put up for sale.

Canada's "Big Six" commercial banks have cemented their dominance of the financial services industry over the past decade by acquiring most of the leading securities firms and trust and loan companies, which specialise in mortgage lending and fiduciary services.

Insurance is the last of the traditional "four pillars" of the financial services industry to remain relatively intact. But the banks have shown a growing interest in the sector, where fragmentation and low profit margins have paved the way for rationalisation.

RBC bought Canada's biggest travel insurance underwriter in 1993, and last year took over a sizeable Ontario-based provider of life policies through independent agents.

A financial-services consultant said banks and insurers were also seeking ways

to rationalise their increasingly sophisticated distribution channels, ranging from video kiosks to telephone and internet services.

Mr John Cleghorn, RBC chief executive, said the bid was motivated by synergies in sales and revenues, rather than cost reduction. He noted that more than 1,000 of London Life's 3,500 agents are licensed to sell mutual funds, a fast-growing area of the bank's business.

"We've got to be sure that we can compete with the best in the world," Mr Cleghorn said.

The banks' advance into insurance has until now been braked by tight restrictions, notably on the exchange of customer data between their banking and insurance arms.

However, these curbs are being reviewed by a government task force on financial services reform headed by Mr James Baillie, a Toronto lawyer.

The group, which is due to report next year, is expected to recommend a sweeping liberalisation.

NEWS DIGEST

Further shake-out seen in US banking

Wall Street was awash with speculation about acquisitions in the banking sector over the weekend, as high bank share prices and newly liberal Federal Reserve regulations on banks' powers to buy securities operations make new deals possible. Two privately-held small investment banks appear to be in talks to be acquired by large commercial banks. Oppenheimer & Co of New York is in talks to be bought by Canadian Imperial Bank of Commerce, Canada's second biggest financial institution, for about \$500m.

Separately, Montgomery Securities of San Francisco is looking to sell an equity stake, and appears likely to be acquired by NationsBank of North Carolina, the fourth largest US bank, for a price of about \$1bn.

Both banks have been in talks with more than one suitor. Three similar mergers have already taken place in the three months since the Fed allowed commercial banks to earn up to 25 per cent of their revenues from securities, with Alex. Brown being bought by Bankers Trust, Swiss Bank buying Dillon Read, and BankAmerica acquiring Robertson Stephens.

J.P. Morgan is reported to be in talks to buy a stake in American Century, a privately-held Kansas City mutual fund manager for between \$500m and \$1bn. J.P. Morgan has total funds under management of \$180.6bn, but lacks a significant presence in the US retail market.

This would continue the trend for banks to buy access to the booming retail market for US mutual funds. It also signals that another medium-sized mutual fund company (American Century, formed from the merger of Twentieth Century and Benham funds last year, and which ranks 15th in mutual fund assets under management) has decided that it needs a larger partner if it is to compete in the growing global market for pension fund management, following last week's deal to unit Scotiabank, Stevens & Clark of New York with Zurich Group.

John Authers, New York, and Bernard Simon, Toronto

TI to quit Tokyo exchange

Texas Instruments, the US semiconductor manufacturer, is to delist from the foreign section of the Tokyo Stock Exchange in September, following a trend that has seen the departure of AT&T, the US telecommunications group, and News Corporation, the media group. TI's delisting will reduce the number of foreign companies on the foreign section of the TSE to 63, compared with a peak of 127 in 1991.

TI, which has been expanding in Japan on the strength of its digital signal processing technology, said there was little advantage in being listed in Tokyo because of slow trading activity in foreign stocks. The costs of being listed, including fees to accountants, was relatively high at about ¥20m (\$175,000) a year. TI said. As most investors who trade in TI's shares can do so in New York, there was not much reason to remain listed in Tokyo, the company said. The TSE has attempted to make the foreign section more attractive by deregulating listing requirements to bring them in line with New York. The exchange is also attempting to attract a larger number of Asian companies to the foreign section.

Michio Nakamoto, Tokyo

Fiat lifts Turkish output

Fiat, the Italian industrial group, has made a further step to extend production of its A178 "world car" with an agreement to build hatchback, saloon and station wagon versions in Turkey. Tufas, the leading Turkish carmaker jointly controlled by Fiat and the local Koc group, will invest more than \$360m to build the new Palio and Siena models, along with raising output, at Tufas's Bursa plant from next year.

Fiat and Koc have agreed to allocate roughly half of Tufas's annual capacity of about 250,000 units to the Palio and Siena. Production at Tufas fell from 49,722 cars in the first five months of last year to 38,655 in the same period this year.

Halil Simoniyan, Motor Industry Correspondent

GFM wins Mexican rail line

Grupo Ferrovial Mexicano (GFM), a US-Mexican consortium, has won the auction for the privatisation of Mexico's second most important rail line, the 6,000km Pacific-North route, which runs along the country's western coast. With the sale of the route, 80 per cent of Mexico's rail freight capacity will have been privatised.

GFM bid 4.2bn pesos (\$82m) for the line, comfortably more than the minimum price set by the government, despite the withdrawal of other bidders. It also pledged to invest 3.4bn pesos in the line over the next five years.

GFM is made up by mining concern Grupo Mexico, with a 74 per cent stake, Constructora ICA, part of Mexico's biggest construction group, with 13 per cent, and Union Pacific of the US, with 13 per cent.

Daniel Dombay, Mexico City

Beta Systems issue well met

Shares in the latest company to be quoted on Germany's new stock market segment for fast-growing young companies, Beta Systems Software, met such heavy demand that the issue is raising more than expected at nearly DM113m (\$66m). Deutsche Morgan Grenfell, leading the issue, said the share price had been fixed at DM100, at the top of the bookbuilding range. As well as the 980,000 shares envisaged for the Beta issue, a further 147,000 are being sold through the greenshoe method of meeting excess demand.

Andrew Fisher, Frankfurt

Possibility recedes of SBC, AT&T merger

By Richard Waters in New York

The prospect of a new spate of acquisitions in the US telecommunications industry receded over the weekend as it emerged that AT&T and SBC Communications have now given up pursuing a merger.

The two companies, respectively the country's biggest long-distance and local carrier, are understood to have held discussions about a combination for several weeks, though neither ever confirmed the talks.

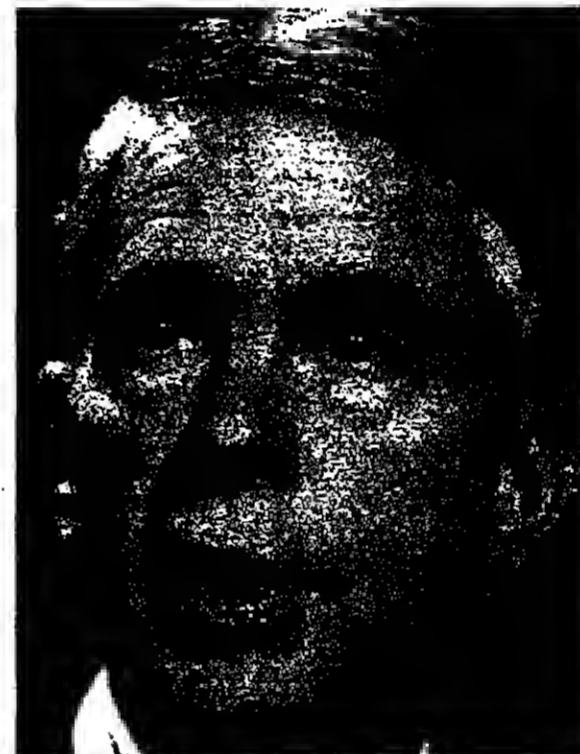
The plan is understood to have fallen through amid a wave of concern from regulators and politicians, who feared the combination would hamper competition in the \$200bn US telephone market.

Had it gone ahead, a merger of AT&T and SBC was expected to touch off other similar deals, as long-distance companies and local carriers, or Baby Bells, linked up to compete against the new giant.

Mr Bert Roberts, chairman of MCI, the second largest long-distance carrier, said last week he was opposed to the combination of AT&T and SBC. He added that if it were allowed to proceed, his company would also consider merging with a Baby Bell, "as a necessary evil".

A leading adviser on mergers and acquisitions among telecoms companies predicted that a successful deal would have prompted a rash of copy-cat acquisitions.

AT&T's link with SBC would have given it entry to the local calling markets in south-western and West Coast states, where SBC is the dominant carrier. The bar on long-distance companies offering local services, imposed with the break-up of the national Bell system in 1984, was reversed in last year's Telecommunications Act.



The apparent failure of talks raises questions about AT&T's strategy under Bob Allen

The risk that a deal would be blocked in Washington intensified 10 days ago, however, when Mr Reed Hundt, chairman of the Federal Communications Commission, called such a combination "unthinkable". A merger between AT&T and any Baby Bell would prevent the onset of competition for both local and long-distance calling, he said - the opposite of what last year's legislation was meant to achieve.

The difficulty of creating a structure for the combination that would keep regulators happy is believed to be the main reason for the cooling of talks.

News of the merger talks and their apparent failure has raised questions about AT&T's strategy under Mr Bob Allen, chairman.

Soon after last year's Act was passed, Mr Allen pre-

This announcement which is addressed to the holders of the bearer bonds described below is neither an offer to purchase nor a solicitation of an offer to sell these Bonds. The Offer is made solely by the Offer to Purchase of The Sakura Bank, Limited dated 30 June 1997 and the related Letter of Transmittal. The Offer is not being made in, and offers will not be accepted from or on behalf of, holders of these Bonds in the United States or in any other jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. In addition the Offer is not being made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States and the Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States. Neither the Offer to Purchase nor any other documents relating to the Offer may be distributed in or into the United States.

Offer by

THE SAKURA BANK, LIMITED

to Holders of the Bearer Bonds described herein

to purchase for cash

any and all outstanding

2½% Convertible Bonds Due 2003

issued by

The Mitsui Bank, Limited

COMMON CODE: 001038907

ISIN No: GB0045959227

The Sakura Bank, Limited (the "Bank") is offering to purchase for cash any and all of its outstanding 2½% Convertible Bonds Due 2003 issued in the name of The Mitsui Bank, Limited (the "Bonds") together with all unattached coupons relating thereto (the "Coupons") at a price per U.S.\$5,000 principal amount of Bonds of U.S.\$4,600 (amounting to 92 per cent of the principal amount of a Bond), plus accrued interest from 31 March 1997 to, but not including, the date of payment of such Bonds by the Bank (the "Settlement Date"), upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal (which together constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 1600 LONDON TIME, ON 16 JULY 1997 UNLESS SHORTENED OR EXTENDED (AS THIS SAME MAY BE SHORTENED OR EXTENDED, THIS "EXPIRY DATE").

The Bank expressly reserves the right, at any time in its sole discretion, to (i) shorten or extend the period of time during which the Offer is open, (ii) delay the acceptance for payment of or payment for the Bonds or terminate the Offer and not accept for payment or pay for any Bonds not previously accepted for payment or paid for, or (iii) amend, at any time or from time to time, the terms of the Offer in any respect, in each case, subject to any applicable legal requirements.

Requests for copies of the Offer to Purchase, the related Letter of Transmittal and other relevant information should be directed to the Dealer Manager or the Tender Agent.

The Dealer Manager is:

Lehman Brothers

In London:
Lehman Brothers International
(Europe)
One Broadgate, 4th Floor
London EC2M 2RQ
Attention: Mr. Toshiro Sato
Tel: (+44 171) 260 2727
(call collect)

In Tokyo:
Lehman Brothers Japan Inc.
Ark Mori Building
12-32, Akasaka 1-chome
Minato-ku, Tokyo 107
Attention: Mr. Nami Tanaka
Tel: (+813) 5371 7072
(call collect)

The Tender Agent is:

Sakura Finance International Limited

In London:
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6 Broadgate
London EC2M 2RQ
Attention: Mr. Masahiko Oshima
Tel: (+44 171) 236 8335
(call collect)

The Depository is:

Sakura Trust International Limited
6 Broadgate
London EC2M 2RQ
Attention: Mr. David Tyler
Tel: (+44 171) 638 7595

LEHMAN BROTHERS

Dealer Manager

30 June 1997

DEN DANSKE BANK
US\$100,000,000
Subordinated floating rate
notes due 2000
(Issued by and in the name of
Depository Bank of New York)

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period from 30 June 1997 to 31 December 1997 the notes will carry an interest rate of 0% per annum. The interest payable on the relevant interest payment date, 31 December 1997 will amount to US\$396.67 per US\$10,000 note and US\$3,966.67 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

CIC
Compagnie Financière
de CIC et de l'Union
Européenne

US\$150,000,000
Floating rate notes 1998

Notice is hereby given that for the interest period 30 June 1997 to 30 September 1997 will carry an interest rate of 6.03125% per annum. Interest payable on 30 September 1997 will amount to US\$154.13 per US\$10,000 note and US\$1,541.33 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Banco di Roma S.p.A.
US\$200,000,000
Floating rate subordinated
loan participation certificates
due 2001

Issued by J.P. Morgan Grenfell for the purpose of making a subordinated loan to Foreign Branches of Banco di Roma.

The rate of interest for the period 30 June 1997 to 31 December 1997 has been fixed at 5.905% per annum. Interest payable on 31 December 1997 will amount to US\$1,563.06 per US\$10,000 certificate and US\$15,630.60 per US\$250,000 certificate.

Agent: Morgan Guaranty Trust Company
JPMorgan

1987 - 1997 Ten years of success on the Swiss stock exchange

On June 30, 1987, shares of Ares-Serono S.A. were first listed on the Swiss stock exchange. Since the initial public offer, the share price has recorded a compound annual capital appreciation of more than 20%.

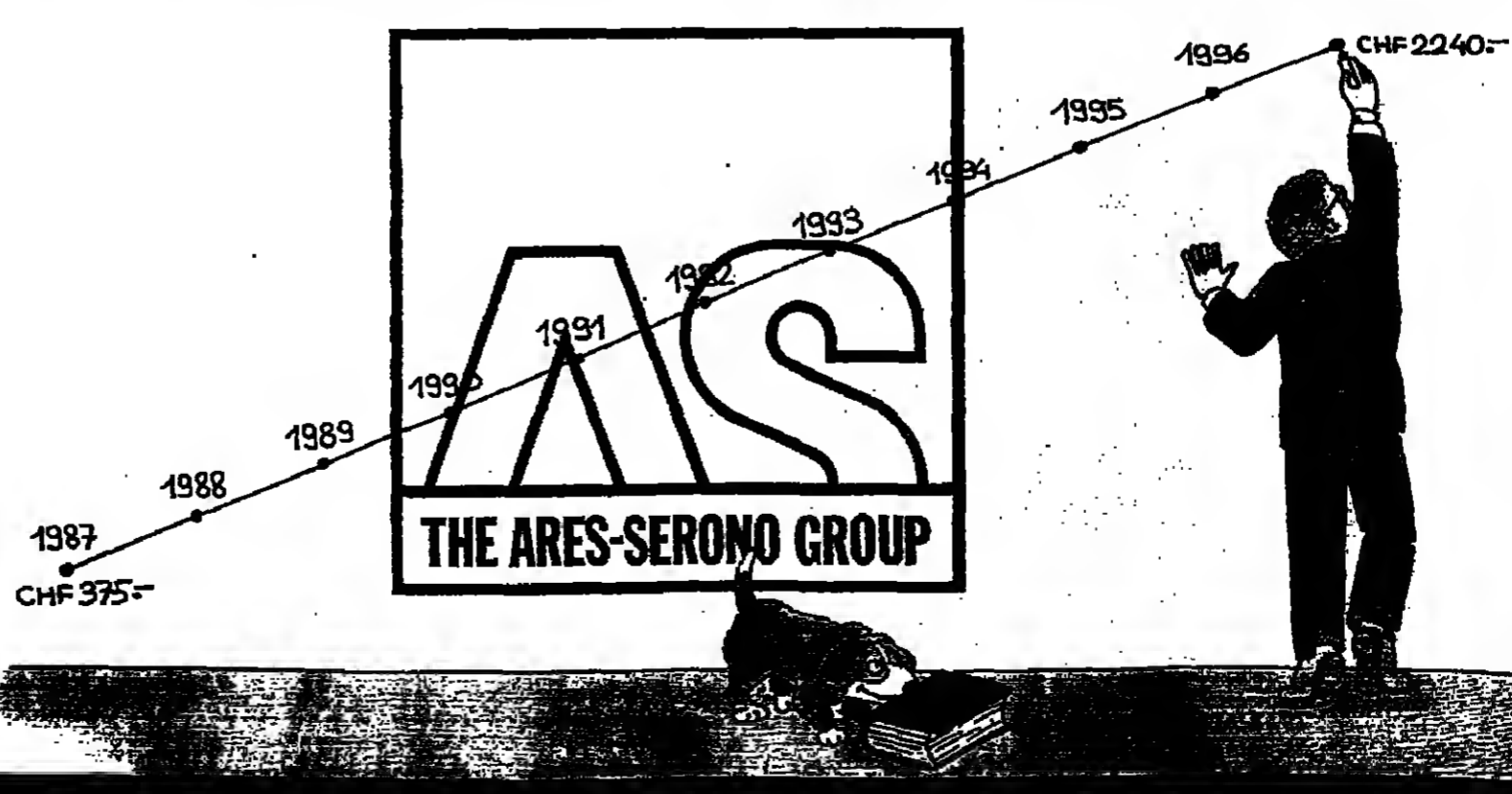
The Ares-Serono Group is the world leader in infertility treatment. With nine recombinant (genetically engineered) molecules in development, Ares-Serono ranks among the world leaders in biotechnology.

Ares-Serono aims to strengthen and expand its strategic positions in the core therapeutic fields of infertility, growth, wasting and multiple sclerosis.

The Ares-Serono Group achieved sales of US\$805 million in 1996. A Swiss pharmaceutical company, Ares-Serono is headquartered in Geneva and employs a staff of 3'600 worldwide. The Group operates subsidiaries in 30 countries.

For more information, please contact:

The Ares-Serono Group - Corporate Affairs & Investor Relations - Christophe Lamps - 1501, Chemin des Mines - P.O. Box 54 - 1211 Geneva 20 - Tel. +41.22.739.32.35 - Fax +41.22.739.30.22



उभरती अर्थ-व्यवस्थाओं और
पूजी बाजारों में महिर है हम
ING BARINGS

FINANCIAL TIMES MARKETS THIS WEEK

At Home in Emerging
and Capital Markets
ING BARINGS

Global Investor / Peter Martin

Now for the micro-economics of Emu

So much of investors' attention is focused on the debate over the future of European monetary union that there is little to spare for the micro-economic effects that will follow in its train.

Let us try, for the moment, to reverse that bias. Focus, instead, on what the introduction of the euro will mean for individual companies.

Not much, is the consensus. Of course, computer systems need to be overhauled, treasury operations reviewed. But the conventional wisdom is that the day-to-day business activities of companies in the euro zone will be largely unaffected by the change to a new currency.

This complacency is

reinforced by the relatively low estimates of benefits from Emu. The consensus is that countries adopting the euro will gain on average about 0.4 per cent of GDP from the efficiencies that a single currency will create. This is an extremely modest amount. But, as Chris Huhne of IBCA, the London-based credit rating agency, points out, it will be very unevenly distributed among countries. Large economies with a relatively low dependence on trade, such as France and Germany, might gain only 0.2 per cent. Small countries with very active trade sectors - the Benelux countries, above all - stand to gain much more, perhaps as much as 1 per cent of GDP.

So what? you might say:

these gains from greater transactional efficiency will be spread out among consumers as a whole. For any individual company, they will be insignificant. That is, of course, true. But these generalised gains will be offset by more concentrated losses, among businesses which benefit from relatively fragmented markets.

To put it another way, the euro era will usher in much greater pricing transparency, in a wide range of markets. Consumers will not need to carry out currency conversions in their hands to spot bargains in other euro-zone countries. Without the costs, inconvenience and uncertainty of currency conversion, buying goods across borders will become more attractive. Even though

credit cards allow such transactions today, a common currency will make them more intuitive. Emu will create a new set of opportunities and threats for companies operating in businesses where there are big cross-border pricing differentials, and easy opportunities for arbitrage.

One category of institutions which will suffer particularly from this effect will be the banks. Money has no transport costs. There are wide divergences in pricing for bank services in Europe, a legacy of fragmented regulatory and currency jurisdictions. Both these sets of barriers are being broken down by the European Union, through the Banking Directive and through Emu.

Of course, name recogni-

tion and branch services are still an important factor in the markets for many bank products. But in others, the euro will cause drastic changes of profitability. One potential category of losers will be big losers: big banks in small markets. At present, they have an effective monopoly of a number of lucrative businesses, such as currency transactions and local debt issuance. For many such banks, these businesses contribute a disproportionate share of profits. After Emu, they will be much more vulnerable.

The full impact of this change may take some years. In the debt market, for example, it will have to await the creation of a single euro-denominated bond market, which will only come

about as market conventions in government instruments are harmonised, a slow process. And it will take time, also, for foreign financial institutions to build up cross-border reputations strong enough to permit effective competition with locally dominant banks. But the trend is inescapable.

The impact on banks has been predicted by analysts who follow the sector, because it is clear and specific. Many other industries face similar issues, but have attracted less attention. It is hard to assess which big European companies benefit most from the ability to exploit differential prices in different countries. It is harder still to guess the sectors which will prove most vulnerable to cross-border

Total return in local currency to 28/06/97

	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.10	0.01	0.06	0.06	0.13	0.13
Month	0.47	0.05	0.23	0.23	0.57	0.54
Year	8.17	1.09	3.65	4.30	9.19	8.12
Bonds 3-5 year						
Week	-0.13	-0.46	0.37	0.45	0.70	0.28
Month	1.42	0.79	1.13	1.27	2.11	0.51
Year	7.82	4.84	9.09	9.65	16.36	7.73
Bonds 7-10 year						
Week	-0.45	-0.63	0.91	0.75	1.56	0.65
Month	2.07	1.48	2.24	2.26	3.80	1.21
Year	9.04	8.44	13.44	14.01	24.89	12.56
Equities						
Week	-1.6	2.2	1.3	5.3	3.2	0.1
Month	4.6	4.9	3.8	8.8	11.0	0.1
Year	35.2	-6.4	46.9	39.6	34.2	27.5

Source: Cash & Bonds - Lehman Brothers. Equities - FTSE International Ltd. The FTSE Actuaries World Indices are jointly owned by FTSE International Limited, Goldman Sachs & Co. and Standard & Poor's.

arbitrage. Probably, products with a culturally specific appeal will resist the trend more effectively than standardised ones but it is not easy to predict. The broader lesson, however, is that the introduction of the euro is not merely a change that affects companies and investment strategy at the macro level. It is also a further decisive step in the process of creating a true pan-European market. This time, it is the consumers' heads. That will give rise to powerful implications for businesses at the operating level. For equities investors, at any rate, uncertainty over the timetable and membership of a single currency should not be allowed to obscure the probability of a whole new category of winners and losers.

Email: peter.martin@FT.com

INTERNATIONAL EQUITIES By Christopher Robinson in Warsaw

KGHM set for good reception

Poland's Bank Handlowy (BH) and KGHM Polska Miedz, two of the country's largest privatisations to date, are soon to be listed on the Warsaw Stock Exchange (WSE), giving the seven-year-old house new capitalised at \$1.1bn, a 20 per cent boost in value.

Also, as institutional investor demand for BH went unsatisfied, the bank offer provides a favourable backdrop for the sale of KGHM, the integrated copper mine and smelter.

BH, whose initial share price set at 35 zlotys values the bank at 3.3bn zlotys (\$1bn), is to be listed today.

The offer, handled by Schroders and JP Morgan, saw the government seeking to satisfy domestic demand at the expense of foreign institutions. Also, the BH privatisation saw the share of Global Depository Receipts cut to 4 per cent of the bank's capital to boost the WSE's business.

In contrast, the privatisation of KGHM, which starts today, relies more on foreign institutional demand. The offer guarantees foreign investors between 21 per cent and 26 per cent of the equity in a tranche valued at a minimum of \$260m. Meanwhile, local investors are being offered 15 per cent of the company.

The differing approach is the result of a strategic choice made by the government at BH's urging. The bank wanted to build a broad base among local retail and institutional investors while attracting a core of overseas investors who would provide know-how and ease access to funds to boost the bank's assets.

This core, made up of JP Morgan, the US investment bank, the Zurich insurance group from Switzerland and Swedbank, the Swedish retail bank, has now agreed to take a 24 per cent stake. At the same time the local

institutional and retail investor tranche, which saw a 3.4 times subscription rate, has been allocated 20 per cent of the BH equity and saw its orders reduced by an average of 35 per cent.

Foreign institutions offered a 17.4 times subscription rate, placing \$4.7bn on the table for a tranche valued at \$211m. They have now been allocated 21 per cent of the bank's equity.

Last Friday the government, which is being advised by BZW, UBS and the local Wielkopolski Bank Kredytowy, set 19.5 zlotys per share as the minimum price for KGHM. This is for those investors both at home and abroad who want to buy 300 shares or more of the entire 72m shares on offer.

The IPO represents 36 per cent of the company's equity with the government set to retain a 49 per cent stake. The company's employees are due to receive 15 per cent in a free handset. The min-

imum price values the copper combine, which reported a 147.2m zlotys net profit last year, at \$1.2bn.

Small local investors (those buying up to 300 shares each) who are being offered 6m shares are to pay 19 zlotys a share. If demand, especially abroad, is strong when institutions place their orders this week, then the price for investors in the large tranche could be significantly higher than that paid by the small retail market.

KGHM's shares are to be allocated between July 5 and 7 with a WSE listing expected on July 10.

BH's GDRs have already been trading in London, albeit thinly, at about 30 per cent more than their original offer price. That suggests that today's BH listing should see the bank's price rise, enhancing interest in the KGHM offer, which includes Robert Fleming, Merrill Lynch and ING Barings among its managers.

COMPANY RESULTS DUE

Strong UK beer side will again lift S&N

Scottish & Newcastle reports final results for the year to April today and is expected by NatWest Securities to reveal operating profits up 19 per cent to £42m (£71.3m).

At the pre-tax level, most analysts forecast a rise of about 20 per cent, to a range of £360m-£380m, and earnings per share of about 45p, with the dividend up from 19.43p to about 21.4p.

This time last year the brewer unveiled strong profits from its UK pub side, undermined by continuing weakness in its Center Parcs holiday complexes on the Continent. Analysts expect a

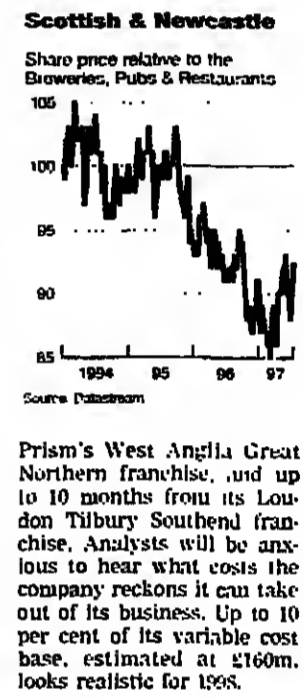
strong performance from the beer side again, and more disappointment from Center Parcs, although there may be management initiatives to sort it out.

Investors will be keen to hear the latest news of trading when MFI, the retailer that in March warned of a sales slowdown, reports final results tomorrow. Comparisons are likely with the recent positive comments from Carpetright, which said sales had picked up after the general election.

Merrill Lynch, house broker, expects profits of £70m, and analysts are hoping for profits before tax and exceptional charges of £6m. Exceptional charges for its three rail franchises is likely to top £5m, giving a pre-tax loss of between £5m and £6m. These results will only include three months of trading at

fruit and vegetable distributor said in April that price falls and unfavourable currency trends meant interim profits would be "slightly down". Analysts expect it to report pre-tax profits of about £20.02m (\$30m) and earnings per share of about 2.99p. This would be a fall from the £20.8m and earnings of 3.21p, investors will want to hear how the banana business, bought from Geest of the UK at the start of 1996, is doing.

Prism, the rail group, is reporting its maiden set of annual results on Thursday, and analysts are hoping for profits before tax and exceptional charges of £6m. Exceptional charges for its three rail franchises is likely to top £5m, giving a pre-tax loss of between £5m and £6m. These results will only include three months of trading at



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 27 1997					THURSDAY JUNE 26 1997					DOLLAR INDEX	
	US Dollar	Yen	Pound	DM	Local	US Dollar	Yen	Pound	DM	Local	High	Low
Australia (78)	237.47	7.0	211.81	171.94	214.38	237.47	7.0	211.81	171.94	214.38	237.47	202.06
Austria (24)	191.38	0.8	170.88	138.58	172.74	191.38	0.8	170.88	138.58	172.74	191.38	185.07
Belgium (28)	251.89	10.7	224.78	182.48	227.47	251.89	10.7	224.78	182.48	227.47	251.89	232.12
Canada (112)	208.02	0.9	185.54	150.82	187.78	208.02	0.9	185.54	150.82	187.78	208.02	184.12
Denmark (32)	394.28	6.2	342.73	278.23	348.86	394.28	6.2	342.73	278.23	348.86	394.28	301.78
Finland (28)	294.88	15.0	254.10	203.27	237.18	294.88	15.0	254.10	203.27	237.18	294.88	192.43
France (80)	234.43	9.5	203.10	168.74	211.82	234.43	9.5	203.10	168.74	211.82	234.43	195.59
Germany (59)	217.95	14.7	194.39	157.80	195.73	217.95	14.7	194.39	157.80	195.73	217.95	171.59
Hong Kong (68)	539.23	6.3	480.95	390.43	498.78	539.23	6.3	480.95	390.43	498.78	539.23	430.92
Indonesia (27)	247.12	8.3	220.41	179.33	222.07	247.12	8.3	220.41	179.33	222.07	247.12	203.57
Ireland (17)	350.47	9.8	312.58	253.78	218.35	350.47	9.8	312.58	253.78	218.35	350.47	283.17
Italy (58)	97.21	16.4	86.71	70.38	87.75	97.21	16.4	86.71	70.38	87.75	97.21	91.54
Japan (89)	138.73	7.5	123.74	100.45	125.23	138.73	7.5	123.74	100.45	125.23	138.73	157.19
Malaysia (107)	306.78	15.0	282.00	228.58	247.45	306.78	15.0	282.00	228.58	247.45	306.78	252.24
Mexico (27)	1598.08	31.1	1426.07	1157.87	1443.27	1598.08	31.1	1426.07	1157.87	1443.27	1598.08	1221.88
Netherlands (16)	402.55	16.8	358.04	291.47	363.37	402.55	16.8	358.04	291.47	363.37	402.55	295.01
New Zealand (14)	92.88	0.9	82.82	67.07	68.81	92.88	0.9	82.82	67.07	68.81	92.88	78.71
Norway (41)	213.00	6.8	178.17	145.83	149.54	213.00	6.8	178.17	145.83	149.54	213.00	182.26
Philippines (22)	109.91	17.1	100.85	82.30	85.47	109.91	17.1	100.85	82.30	85.47	109.91	84.74
Singapore (42)	391.48	8.1	340.23	276.20	284.34	391.48	8.1	340.23	276.20	284.34	391.48	417.12
South Africa (44)	364.24	14.4	324.87	263.73	268.79	364.24	14.4	324.87	263.73	268.79	364.24	365.12
Spain (33)	286.07	21.1	237.31	192.85	240.17	286.07	21.1	237.31	192.85	240.17	286.07	182.26
Sweden (48)	485.80	12.2	433.39	351.81	438.80	485.80	12.2	433.39	351.81	438.80	485.80	353.13
Switzerland (33)	317.24	33.0	282.95	228.70	238.37	317.24	33.0	282.95	228.70	238.37	317.24	242.99
Thailand (43)	365.95	36.5	322.98	259.98	263.21	365.95	36.5	322.98	259.98	263.21	365.95	164.85
United Kingdom (212)	303.96	7.3	274.11	224.38	224.38	303.96	7.3	274.11	224.38	224.38	303.96	290.42
USA (847)	339.40	18.1	320.56	260.23	264.43	339.40	18.1	320.56	260.23	264.43	339.40	271.88
Asia Pacific (1818)	328.95	19.1	293.40	236.18	238.94	328.95	19.1	293.40	236.18	238.94	328.95	248.13
Europe (726)	271.76	13.4	242.38	196.78	245.30	271.76	13.4	242.38	196.78	245.30	271.76	204.71
North America (150)	411.22	13.3	368.78	297.75	311.20	411.22	13.3	368.78	297.75	311.20	411.22	302.13
Pacific Basin (808)	158.96	5.9	139.80	113.85	141.88	158.96	5.9	139.80	113.85	141.88	158.96	109.80
Europe-Pacific (1808)	204.85	8.8	182.71	148.32	154.92	204.85	8.8	182.71	148.32	154.92	204.85	188.36
North America (759)	350.03	18.6	312.80	253.44	215.86	350.03	18.6	312.80	253.44	215.86	350.03	264.72
Europe Ex. UK (914)	347.80	17.0	303.84	245.38	228.31	347.80	17.0	303.84	245.38	228.31	347.80	183.07
Pacific Ex. Japan (377)	215.51	0.0	191.14	155.23	154.53	215.51	0.0	191.14	155.23	154.53	215.51	297.79
World Ex. US (1821)	208.43	10.5	186.90	150.91	158.14	208.43	10.5	186.90	150.91	158.14	208.43	187.59
World Ex. UK (2258)	251.82	15.1	224.80	182.33	227.31	251.82	15.1	224.80	182.33	227.31	251.82	211.79
World Ex. Japan (1863)	218.67	15.8	192.82	155.43	155.43	218.67	15.8	192.82	155.43	155.43	218.67	244.70
The World Index (2488)	256.34	14.3	228.84	183.81	231.40	256.34	14.3	228.84	183.81	231.40	256.34	212.32

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**Let's be alert.
Let's be hardworking.
Let's be imaginative.
But let's not be ordinary.**

—Haven Clark

founding partner, SCUDDER, STEVENS & CLARK, INC.

We are pleased to tell you—our clients—that Scudder is joining forces with Zurich Kemper Investments, Inc. to form a new entity that will be the global investment management organization of the Zurich Group.

Our new name will be

Scudder Kemper Investments, Inc.

Our new firm will embody the collective talents and perspective of dedicated professionals worldwide. And we will initially have stewardship of approximately \$200 billion in assets for institutional and private clients, for retirement plans, and for investors in mutual funds.

As we look with great optimism and excitement toward the 21st century and beyond, we remain true to the values which have guided our firms through their histories.

Our commitment to you—our customers, intermediaries and shareholders—remains unchanged. The interests of our clients come first.

We will continue to provide innovative products and services, world class investment management, and customized solutions to meet your goals. We understand the importance of advice and value our relationships with financial intermediaries.

And we will bring you broader and more flexible investment choices, global viewpoints tailored to local needs, and the insight and experience to put it to work for you.

We are enormously enthusiastic about the future and the opportunities this alliance creates. And as one of the world's preeminent investment managers, we will remain faithful to our tradition and vision...

...be alert, be hardworking, be imaginative, but never be ordinary.



SCUDDER



ZURICH KEMPER INVESTMENTS

WORLD INTEREST RATES

[illegible]

Swiss Franc	1½ - 1¾	1⅛ - 1⅜	1⅞ - 1⅝
Canadian Dollar	3⅛ - 3¼	3⅜ - 3½	3⅞ - 3⅝

US Dollar	51% 51% 51% 51% 51% 51% 51% 51%	Japanese Yen	51% 51% 51% 51% 51% 51% 51% 51%
Asian \$/Sng	31% 31% 31% 31% 31% 31% 31% 31%		

Short term rates are call for the US Dollar and yen, where two days' notice

■ THREE MONTH SETTLEDollar (MM) 51m points of 100%

	Open	Settled prior	(Change)	High	Low	Est. vol	Open int.
Sep	84.13	84.14	-0.01	84.16	84.13	718.574	578,696
Dec	93.93	93.95	+0.02	93.96	93.83	116.054	432,025
Mar	93.84	93.86	-0.02	93.87	93.84	79,832	293,778

■ US TREASURY BILL FUTURES (MM) 51m per 100%

Sep	94.82	94.82	-0.01	94.83	94.82	61	7,396
Dec	94.65	94.65	-0.01	94.66	94.65	54	436

All Open Interest figures are for pre-trading day

BASE LENDING

BASE LENDING RATES					
Adam & Company	0.50	Eastern Bank Limited	0.50	Scottish Widows Bank	0.50
Alcock Iron Bank (GB)	0.50	Equity Bank Ltd	0.50	St Giles & Fife Banking Co	0.50
Alfred Jones & Co	0.50	Financial & Com Bank	0.50	St James & Wapton Secs & 0.50	
Bank of America	0.50	Robt Fleming & Co	0.50	TSB	0.50
Banco Bilbao Vizcaya	0.50	Gurneams	0.50	United Bank of Kuwait	0.50
Bank of Cyprus	0.50	Hells Bank AG Zurich	0.50	Unity Trust Bank Plc	0.50
Bank of Ireland	0.50	Imperial Bank Ltd	0.50	Wickham Trust	0.50
Bank of India	0.50	Hertford & Com Inv Bk	0.50	Whiteways Ltd	0.50
Bank of Scotland	0.50	C. Hoare & Co	0.50	Yorkshire Bank	0.50
Barclays Bank	0.50	Hongkong & Shanghai	0.50		
Bk of Mid East	0.50	Investec Bank (UK) Ltd	0.50	Members of London	
Brown Shipley & Co Ltd	0.50	London & Noddy Bank	0.50	Investment Banking	
CityBank, NA	0.50	Laurel Bank & Savs	0.50	* in administration	
Citibank	0.50	Lloyds Bank	0.50		
Credit Lyonnais Bank	0.50	Midland Bank	0.50		
The Co-operative Bank	0.50	NorthWestern	0.50		
Coutts & Co	0.50	Paribas Brothers	0.50		
Cyprus Popular Bank	0.50	Royal Bk of Scotland	0.50		

Société Anon

Société Anonyme
Registered Office: 2, Boulevard Royal, L-2953 Luxembourg
R.C. LUXEMBOURG R-8622

Shareholders are hereby convened to the

ANNUAL GENERAL MEETING

of shareholders of our company, which will take place at the offices of Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg, on July 11, 1997 at 12.00 for the purpose of considering and voting upon the following agenda:

1. Submission of the Reports of the Board of Directors and of the Auditor

3. Discharge to the Directors:


4. Statutory Appointments;
5. Miscellaneous.

Shareholders are advised that no quorum is required for the items of the agenda of the Annual General Meeting and that decisions will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

In order to attend the meeting the owners of bearer shares have to deposit their shares five clear days before the meeting at the offices of Banque Internationale à Luxembourg, 69, route d'Esch, L - 1470 Luxembourg.

THE BOARD OF DIRECTORS

[illegible]





Crédit Commercial de France

ITL 150,000,000,000
Floating Rate Notes due 1998

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from June 30, 1997 to September 30, 1997 the Notes will carry an Interest Rate of 6.74608 % per annum

The Coupon Amount payable on the relevant Interest Payment Date, September 30, 1997 will be ITL 66,200 per ITL 5,000,000 nominal amount of Note and ITL 882,000 per ITL 50,000,000 nominal amount of Note.

The Agent Bank
 **Kreditbank
Luxembourg**


CITICORP 

U.S. \$150,000,000

Subordinated Floating Rate Notes Due September 2005

Notices is hereby given that the Rate of Interest for the period June 30, 1997, to September 30, 1997 from loans fixed at 5.25125% and that the interest payable on the relevant Interest Payment Date September 30, 1997, against Citicorp N.A. 16 in respect of US\$1,000 nominal of the Notes will be US\$70.68 and in respect of US\$100,000 nominal of the Notes will be US\$1,413.54.

June 30, 1997, London

By Citicorp, N.A. Corporate Agency's Trust, Agency Bank. **CITIBANK** 

Republic of Venezuela

Republic of Venezuela
U.S. \$167,000,000
 Floating Rate Notes dated 1986
U.S. \$167,000,000
 Floating Rate Notes dated 2003

For the interest period from June 30, 1987 to December 30, 1987 the notes have been repaid at 7.0252%. The interest amounts payable on December 30, 1987 will be U.S. \$389.01 per U.S. \$100.00 in repaided term and U.S. \$617.53 per U.S. \$100.00, U.S. \$1,000.00 per U.S. \$100.00 and U.S. \$8,375.95 per U.S. \$100.00 to be repaid.

By: The Debt Structuring Unit
 London, August 1987

CHASE

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American Funds Investment Portfolio (A)									
Foreign & Colonial Portfolio (F)									
Mid-Cap Global Portfolio (M)									
Active International Portfolio (A-Intl)									
Emerging Markets Portfolio (E)									
Merrill Lynch Asset Management - Cont.									
Swiss Bank Corporation - Cont.									
Equity Fund Managers									
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WORLD STOCK MARKETS

[illegible]

صحبنا من الامل

NYSE PRICES

[illegible]**NASDAQ NATIONAL MARKET** 4 pm close June 2[illegible]

AMEX PRICES

Rank	FF	Size	High	Low	Close	Clery	Rank	FF	Size	High	Low	Close	Clery
1	Black	84	114	60%	10%	-	1	Black	84	114	60%	10%	-
2	White	84	114	60%	10%	-	2	White	84	114	60%	10%	-
3	Hispanic	84	114	60%	10%	-	3	Hispanic	84	114	60%	10%	-
4	Asian	84	114	60%	10%	-	4	Asian	84	114	60%	10%	-
5	Native	84	114	60%	10%	-	5	Native	84	114	60%	10%	-
6	Other	84	114	60%	10%	-	6	Other	84	114	60%	10%	-
7	Black	84	114	60%	10%	-	7	Black	84	114	60%	10%	-
8	White	84	114	60%	10%	-	8	White	84	114	60%	10%	-
9	Hispanic	84	114	60%	10%	-	9	Hispanic	84	114	60%	10%	-
10	Asian	84	114	60%	10%	-	10	Asian	84	114	60%	10%	-
11	Native	84	114	60%	10%	-	11	Native	84	114	60%	10%	-
12	Other	84	114	60%	10%	-	12	Other	84	114	60%	10%	-
13	Black	84	114	60%	10%	-	13	Black	84	114	60%	10%	-
14	White	84	114	60%	10%	-	14	White	84	114	60%	10%	-
15	Hispanic	84	114	60%	10%	-	15	Hispanic	84	114	60%	10%	-
16	Asian	84	114	60%	10%	-	16	Asian	84	114	60%	10%	-
17	Native	84	114	60%	10%	-	17	Native	84	114	60%	10%	-
18	Other	84	114	60%	10%	-	18	Other	84	114	60%	10%	-
19	Black	84	114	60%	10%	-	19	Black	84	114	60%	10%	-
20	White	84	114	60%	10%	-	20	White	84	114	60%	10%	-
21	Hispanic	84	114	60%	10%	-	21	Hispanic	84	114	60%	10%	-
22	Asian	84	114	60%	10%	-	22	Asian	84	114	60%	10%	-
23	Native	84	114	60%	10%	-	23	Native	84	114	60%	10%	-
24	Other	84	114	60%	10%	-	24	Other	84	114	60%	10%	-
25	Black	84	114	60%	10%	-	25	Black	84	114	60%	10%	-
26	White	84	114	60%	10%	-	26	White	84	114	60%	10%	-
27	Hispanic	84	114	60%	10%	-	27	Hispanic	84	114	60%	10%	-
28	Asian	84	114	60%	10%	-	28	Asian	84	114	60%	10%	-
29	Native	84	114	60%	10%	-	29	Native	84	114	60%	10%	-
30	Other	84	114	60%	10%	-	30	Other	84	114	60%	10%	-
31	Black	84	114	60%	10%	-	31	Black	84	114	60%	10%	-
32	White	84	114	60%	10%	-	32	White	84	114	60%	10%	-
33	Hispanic	84	114	60%	10%	-	33	Hispanic	84	114	60%	10%	-
34	Asian	84	114	60%	10%	-	34	Asian	84	114	60%	10%	-
35	Native	84	114	60%	10%	-	35	Native	84	114	60%	10%	-

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Company	Mid price	Change	Volume	High	Low	Company	Mid price	Change	Volume	High	Low	
Ambiotek	US\$81.75	+0.25	105000	82.5	3.375	Imagotek	US\$81.375	-	100	80.5	12.75	10.875
Airnet Systems	US\$81.25	-	9078	11.25	82	Integral & Heptone	US\$809	-1	0	50000	20.25	25
Charmers	US\$81.25	-	1000	10.5	80	Micro Element	US\$80.75	+0.25	0	17.5	6.125	8.875
Cybernet	US\$82.5	+1.50	15400	85.5	16.875	Software Solutions	US\$80.75	-1.25	100	79.5	10.5	12.5
Sci-Tektron AS	US\$81.25	-	200	12.25	5.50	Schneeberg	US\$8100	-3	30500	1000	600	

Source for 27/07/97. Please note that this table is provided for information only and is not intended to be used as a basis for investment decisions. Information about EASDAQ can be found on the Web at <http://www.EASDAQ.be>.
 EASDAQ offices are located in Brussels (Tel: +32 27 627 65 20) and in London (Tel: 44-171 7 480 9360).

FT GUIDE TO THE WEEK

MONDAY

30

Midnight handover...



At the stroke of midnight tonight, Hong Kong will return to Chinese sovereignty after 156 years of British rule. The transfer of the most significant remaining British colony will be marked by formal ceremonies and a series of celebrations across the territory and in mainland China. A sunset farewell by the British administration will be followed at midnight by a formal Sino-British ceremony. The British delegation, to be headed by Prince Charles, will include Mr Tony Blair, prime minister. China will be represented by President Jiang Zemin and Mr Li Peng, the prime minister. The high level of the Chinese delegation reflects the importance attached by Beijing to the resumption of sovereignty over the territory. Planned talks between Mr Jiang and Mr Blair also signal China's desire for a "new beginning" in Sino-British relations following the strains of the handover preparations.

followed by protests...

Once the midnight ceremonies have been performed, Mr Chris Patten, the last British governor of Hong Kong, will depart with Prince Charles on the Royal Yacht Britannia. The territory's new government will then be sworn in, although British ministers and the US secretary of state will stay away in protest at the provisional legislature, the Beijing-backed body which will replace the existing Legislative Council. While the swearing-in takes place, the territory's biggest pro-democracy party is planning a protest in the colonial Legislative Council building. Other demonstrations are planned, raising the possibility of confrontation. Pro-democracy forces, however, have pledged their rallies will be peaceful, while the government-in-waiting has promised a tolerant stance.

and karaoke...

Away from the formal ceremonies and the planned rallies, the handover will be marked by fireworks, concerts, and exhibitions. Stretching through to the end of the week and beyond, they include such spectacles as a flotilla of giant barges traversing the harbour with illuminated displays. Plans are also afoot for the world's biggest ever karaoke session. In Beijing's Tiananmen Square, a huge fireworks display and historical dance performance are to be staged. Many other Chinese cities, from Shanghai to Shenzhen, are also preparing festivities.

as Beijing celebrates

Beijing, China's capital city, is staging a spectacle of song, dance and



The big handover: Hong Kong returns to Chinese sovereignty amid celebrations and demonstrations

fireworks to celebrate Hong Kong's return. More than 60,000 people will attend the seven-hour celebration to be held in Tiananmen Square where a military crackdown on student demonstrators took place in June 1989. Attendance, however, is to be restricted to cadres, special guests, journalists and selected representatives of "industry, agriculture and the intelligentsia". For security reasons, most of the city's 12m residents are advised to watch the broadcast of the celebrations. Organisers said the cost of the festivities would reach US\$2m. The heavily subsidised celebrations also include a concert to be held at Beijing's Workers' Stadium on July 1 where President Jiang Zemin is to deliver a speech.

Indian quota talks

India and its trading partners in the World Trade Organisation will try again today and tomorrow to agree a timetable for phasing out 2,700 quotas India imposes on imports of consumer goods. The organisation's balance of payments committee failed to reach a deal in early June, with India asking for a nine-year phase-out and the main traders, including the US, European Union and Japan, insisting on three years or less. However, the two sides are said to have moved much closer together and a compromise of around five years could be on the cards.

Burundi forum

The United Nations Educational, Scientific and Cultural Organisation (Unesco) is organising a forum for dialogue on Burundi, bringing together politicians, representatives of civil society and concerned international institutions. Unesco says the meeting

in Geneva is the first of a series designed to complement existing peace initiatives by stimulating an exchange of views on subjects such as education for peace, democratic principles and development.

Caribbean expansion

Leaders of the 14-member Caribbean Community (Caricom) start a four-day meeting in Jamaica to consider expanding the group. They will also discuss how to deal with a threat to their preferential banana market in Europe and the loss of markets in the US to NAFTA-favoured Mexico. Haiti has applied for Caricom membership, and Cuba has requested negotiations on a free trade treaty.

TUESDAY

Climate for debate

Global warming and the "El Niño" effects will be high on the agenda when an estimated 1,500 meteorologists and climatologists meet in Melbourne for a week-long conference on environmental issues involving oceans, the atmosphere and the geosphere. The gathering, organised by the International Association of Meteorology and Atmospheric Sciences and the International Association for Physical Sciences of the Ocean, is also expected to discuss storm surges and rising sea-levels.

FT Surveys

Swedish Banking and Finance, Business Arts Sponsorship (UK only), Argentina.

WEDNESDAY

Brown's Budget

Mr Gordon Brown, the UK's chancellor of the exchequer, delivers the first Labour Budget for 18 years. The centrepiece will be a £3bn welfare-to-work programme funded by a one-off windfall tax on the privatised utilities. But Mr Brown is also expected to announce on-going tax increases to help slow the economy. The biggest change is expected to be the scrapping of the tax credit on share dividends which would raise £5bn a year for the government, mainly at the expense of pension funds. The chancellor is expected to take action to slow the housing market, by halving the tax relief on mortgage interest payments and doubling the rate of stamp duty on the purchase of high priced houses. There are expected to be few other changes to personal taxation although the chancellor is likely to signal his determination to remove work disincentives.

Plea for more growth

The United Nations publishes its latest world economic survey, timed to coincide with the first week of the annual meeting of its Economic and Social Council in Geneva (to July 26). The survey criticises the tight budget stance of many countries which it says risks putting social cohesion in jeopardy and inhibits growth. While growth this year is likely to be similar

to last year's 3 per cent, the UN says the world could do better. In particular, developing countries need higher growth to reduce unemployment and poverty but only a minority in Latin America and Africa achieved 3 per cent or more last year.

Fujimori visits Japan

Peru's President Alberto Fujimori is due to arrive in Tokyo on a six-day visit. A popular figure in Japan due to his Japanese ancestry, he will be making his first trip since the April resolution of the four-month hostage crisis at the Japanese ambassador's residence in Lima. He will meet Emperor Akihito and Prime Minister Ryutaro Hashimoto, tour the northern island of Hokkaido and end his visit at the luxury resort island of Hatzushima, near Tokyo.

Rowing

Henley Regatta (to July 6), Oxfordshire

FT Survey

FT Review of Information Technology.

THURSDAY

Luxembourg takes over

The 20 European Commissioners travel to Luxembourg for talks to inaugurate the Grand Duchy's six-month presidency of the European Union. Luxembourg took over from the Netherlands on July 1 for a spell at the helm of the Union that will be dominated by preparations for monetary union, and for enlargement to the east and south. The Grand Duchy has made clear that one priority will be to avoid turbulence on the international money markets towards the end of the year, as traders speculate on whom will be members of the single currency. That may mean setting indicative exchange rates for prospective euro members. Luxembourg is also committed to progress in setting the framework for enlargement negotiations, in spite of the limited achievements of the recent Amsterdam summit.

Furniture auction

A pair of giltwood armchairs, made by Thomas Chippendale to designs of Robert Adam for Sir Lawrence Dundas in the 1760s, come under the hammer at Christie's in London today. They are expected to sell for £1.2m while a pair of sofas from the same source should make £1m. They are the highlights of an important furniture auction, which includes a pair of commodes by the French ébéniste, Pierre Langlois, which were also made for Sir Lawrence. They carry a top estimate of £900,000.

Cricket

England v Australia in third test (to July 7) at Old Trafford

Golf

Irish Open (to July 6)

FRIDAY

Russian relations

Mr Victor Chornomyrdin, Russia's prime minister, travels to Berlin to join Germany's Chancellor Helmut Kohl at a conference on the future of Russia and its relations with Germany. The meeting is organised by the Alfred Horsthausen society for international dialogue. Germany's backing for the eastwards expansion of the Nato defence alliance - and Russia's misgivings - will figure prominently.

Skill Olympics

Young people from 33 nations compete in the 94th International Youth Skill Olympics in Saint Gallen, Switzerland. Some 660 competitors have four days to demonstrate their skills in 38 trades ranging from floristry to carpentry to cookery. The International Vocational Training Organisation holds the Olympics every two years.

FT Survey

Leeds

WEEKEND

5-6

Mexican elections

Mexico's Institutional Revolutionary party faces the toughest electoral test of its 68 year-reign in mid-term elections (Sunday) which could see the unpopular ruling party lose control of Congress. The leftwing Revolutionary Democratic party is expected to sweep Mexico City, which is holding its first-ever election for a mayor, and the conservative National Action party to do well in governorship races in the north of the country.

New RPR leader

France's main rightwing party, the Gaullist Rally for the Republic (RPR) is due to hold a congress to name a new leader (Sunday). Former premier Mr Alain Juppé has said he will not stand for re-election as leader, clearing the way for Mr Philippe Séguin, former National Assembly speaker.

Rugby union

South Africa play British Lions in the third test at Johannesburg on Saturday

Cycling

Tour de France, Saturday (to July 27)

Compiled by Bob Vincent.
Fax: (+44) (0)171 573 3194.

ECONOMIC DIARY

Other economic news

Monday: Net UK consumer credit in May is expected to show a substantial rise, highlighting fears about a built-up of inflationary pressures. The markets are looking for a rise from 1981m in April to between 1990m and 2.1bn.

Tuesday: The Federal Reserve's open market committee starts its two-day policy meeting. Most Fed watchers do not expect a rise in interest rates.

Wednesday: The UK budget will be the first by a Labour government in over 18 years. Mr Gordon Brown, the UK chancellor, is expected to announce a series of tax increases as part of a fiscally tight budget.

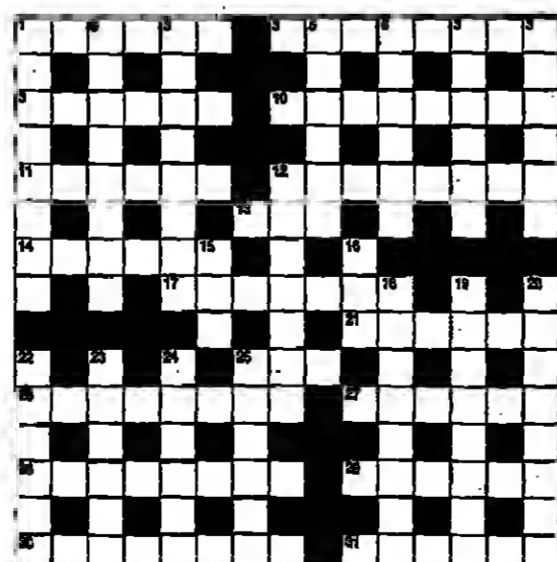
Thursday: The US unemployment report for June is expected to show a continued tight labour market. The unemployment rate is likely to remain under 5 per cent. Friday: Italian consumer price inflation is falling rapidly, underlining the country's efforts towards economic convergence with the rest of the EU. The markets expect a fall in the annual inflation rate from 1.6 per cent in May to 1.5 per cent in June.

Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan		May construction orders**		-15.1%			Germany	May manufacturing output pen-Ger*	0.6%	0.2%R
June 30	Japan		May housing starts**	-11.8%	-8.3%			Germany	May industrial production west*		0.4%R
	Japan		May construction starts**		-13.5%			Germany	May industrial production east*		2.4%R
	France		May unemployment rate	12.8%	12.8%	Thur	UK		June Chart Inst of Pur Supply survey		N/A
	France		May jobseekers*	-0.1%	0.2%	July 3	UK		June CBI distributive trades		N/A
	Italy		Q1 final gross domestic product***	-0.3%	-0.2%		Spain		May producer price index**	0.2%	0.2%
	Italy		Q1 final gross domestic product***	-0.5%	0.1%		Spain		May producer price index**	0.9%	0.9%
	UK		May consumer credit	880m	891m		US		June non-farm payrolls	210k	138k
	UK		June M0*	1.0%	0.3%		US		June manufacturing payrolls	10k	-5k
	UK		June M0**	6.1%	6.1%		US		June hourly earnings	0.4%	0.3%
	US		May personal income	0.4%	0.1%		US		June average work week		34.5
	US		May personal consumer expenditure	0.3%	0.1%		US		June unemployment rate	4.8%	4.8%
	US		May new home sales	785k	772k		US		Initial claims June 28	353k	332k
Tues	Germany		June purchasing managers index*		57.49		US		State benefits June 21		2,308k
July 1	UK		June Chart Inst of Purchasing Mgrs		N/A		US		May home completions		1,45m
	US		BOT-Mitsubishi June 28		UNGH		US		M1 week ended June 23	-\$1.0bn	\$0.8bn
	US		June Nat Assoc of Purchasing Mgrs	58.2%	57.1%		US		M2 week ended June 23	\$3.7bn	\$1.1bn
	US		May leading indicators	0.2%	-0.1%		US		M3 week ended June 23	\$3.8bn	\$0.3bn
	US		May construction spending	0.5%	-1.0%	Fri	Italy		June consumer price ind ex-tobacco*	0.1%	0.9%
	US		June domestic auto sales	6.9m	6.8	July 4	Italy		June consumer price ind ex-tobacco**	1.5%	1.6%
	US		June domestic light truck sales	6.2m	6.1		UK		May housing starts		N/A
Wed	UK		June official reserves		N/A		During the week...				
July 2	US		May factory orders	-0.2%	1.2%		Germany		May net foreign bond purchases		DM4.3bn
	US		May factory inventories		0.6%		Germany		May manufacturing orders pen-Ger*	0.0%	4.0%R
	Germany		May industrial production pen-Ger*	0.5%	0.3%R	*mth on mth, **on yr, *** qtr on qtr, * seasonally adjusted					
Statistics courtesy NMS International											

- ACROSS
- City where ammunition is stored, say (6)
 - Crazy - taking two banned substances (8)
 - They're not necessarily out in pickle-making (6)
 - Chip bag or container (6)
 - Central roundabout poorly lit in a way (6)
 - Place represented as loaded with gold (8)
 - An extra lucky cup draw (3)
 - He dorks the sailing-ship (6)
 - For certificate see master after swim (7)
 - A runaway affair (6)
 - A warning to say nothing about evidence of arson (3)
 - Offer made by pilots before landing (6)
 - Belief in solvency? (6)
 - Splendour of old city fronted by fantastic garden (8)
 - Discovery means plea is changed (6)
 - Minded being arranged (6)
 - Delivery to travel two ways at the end of April and July (6)

- DOWN
- Near fortune acquired through luck (2,6)
 - This poem is about the devil (6)
 - Stayed in custody (8)
 - Cause irritation right on the joint (6)
 - Top car manufacturer who takes prize? (6)
 - Places in Spain (6)
 - Undertake to make a fuss (4,2)
 - Healey's unusual facial hair (7)
 - It could be spare for diners (3)
 - Units that count in making an impression (3)
 - Open coal fires I left to go out (6)
 - Exciting race with swimmer (8)
 - People correspond, but not physically (8)
 - Wandered out of danger (6)
 - Expresses a point on board (6)
 - Bad luck on Robin getting two ducks (8)
 - To make a charge is a County Council practice (6)



WINNERS 9,402: D. Hegarty, Houghton le Spring, Tyne & Wear; Mrs E.M. Farnworth, Alderley Edge, Cheshire; Mrs L.M. Hunt, Edinburgh; Ronald Lee, London E18

MONDAY PRIZE CROSSWORD

No.9,414 Set by DANTE

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of \$40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday July 10, marked Monday Crossword 9,414 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8UL. Solution on Monday July 14. Please allow 28 days for delivery of prizes.

Name: _____
Address: _____

Solution 9,402



GT DEUTSCHLAND FUND

SICAV (in liquidation)
2, Boulevard Royal
Luxembourg
L-1015 Luxembourg
R.C. Luxembourg B-25023

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of GT DEUTSCHLAND FUND (the "Fund") will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on July 8, 1997 at 4 p.m. to consider the report of the auditor to the liquidation appointed at the previous meeting, and if thought fit to pass the following resolutions:

IT IS RESOLVED

- to approve the report of the auditor to the liquidation appointed at the previous meeting;
- to give discharge to the Liquidator, Auditors to the liquidation and Directors who had been in place;
- to close the liquidation and distribute the remaining net assets in cash;
- to keep the records of GT DEUTSCHLAND FUND for term of five years at the offices of Banque Internationale à Luxembourg.

Shareholders are informed that at this Meeting, no quorum is required for the holding of the meeting and the decision will be passed by a simple majority of the shareholders present by person or by proxy and voting.

Holders of bearer shares who wish to attend the meeting, should deposit their share certificates with Banque Internationale à Luxembourg S.A., 69, route d'Esch, L-1470 Luxembourg by no later than 5.30 p.m. (Luxembourg time) on July 7, 1997.

The Liquidator

FIRST PACIFIC CAPITAL LIMITED

(Incorporated in Hong Kong with limited liability)
US\$100,000,000
Guaranteed Floating Rate Notes due 1999
guaranteed by
FIRST PACIFIC COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

In accordance with the provisions of the Floating Rate Notes, notice is hereby given that for the period from 24/6/97 to 24/12/97 the Notes will carry an Interest Rate of 7.07500% per annum calculated on a principal amount of:

US\$17,582.29 per Note of US\$300,000

Standard & Chartered

Standard Chartered Bank
As Reference Agent

JOTTER PAD